

MINUTES

TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS PLANNING WORKSHOP - MARCH 20 & 21, 2006

The Board of Commissioners of Transylvania County met in special session on March 20 and 21, 2006, starting at 6:00 p.m. at the Transylvania Activity Center on Ecusta Road in Brevard. The purpose of the two day session was to conduct the 2006 planning workshop. Chairman David Guice presided over the meetings.

MONDAY, MARCH 20, 2006

Commissioners present: Chairman David Guice, Commissioners Jason Chappell, Jeff Duvall, Ray Miller and Kelvin Phillips

Staff present: Manager Artie Wilson, Finance Direct Gay Poor, Tax Assessor David Reid, Health Director Steve Smith, Project Engineer Larry Reece and Clerk to Board Kimberly Conover.
Mr. Jim Stokoe, Land-of-Sky Regional Council, acted as the facilitator for both nights.

The chairman called the meeting to order at 6:00 p.m. and offered a prayer. Commissioner Phillips led the Pledge of Allegiance. There were approximately 10 citizens attending.

GROUND RULES AND EXPECTATIONS

Mr. Stokoe noted that the group would be using the same ground rules as had been used in previous years. It was decided to leave item #3 intact and that any decisions would be made by vote and not merely consensus.

The following expectations were identified by the commissioners:

- Commissioner Guice would like to address certain issues, such as space needs, e.g., that have been put on the back burner for awhile. He would like to take the time necessary to hear all opinions and to be respectful of the various opinions. In addition, we need to identify overlapping areas of discussion, such as capital needs and the board of education budget, so that we can see the whole picture. He hopes to be able to take the proper time to make decisions on issues that are complex, such as retiree health insurance.
- Commissioner Miller would like to take the opportunity to discuss alternatives regarding space that is available and the needs that we have. He feels there is still other information on space needs that needs to be gathered.
- Commissioner Chappell hoped not to be so restricted by the agenda that some items might be cut off just because the time limit had been reached.
- Commissioner Phillips agreed and wanted to take the time, if necessary, to have additional information gathered and to come back to that item when more prepared.

DISCUSSION OF NEEDS PRESENTED BY THE BOARD OF EDUCATION

Current Expense Requests: Commissioners reviewed the school board's current expense requests for FY 2007. The board of education has requested \$6,591,222, a \$671,351 (10.2%) increase, as follows:

○Teacher supplements increased to 6.44%	\$99,904
○Retirement increase (?)	?
○Security system maintenance agreement	4,416
○Health insurance increase (?)	8,85
○COLA increase (7% certified, 5% non-certified)	148,091
○COLA increase for SROs	14,612
○Coaching supplement step increase	5,000
○State discretionary cuts (?)	39,643
○Medical reimbursement plan	220,000
○Sales tax rebate rescission	81,000
○Title XX cut	5,000
○Additional instructional supplies (workbooks, etc.)	<u>45,000</u>
Total	\$671,351

●Medical Reimbursement Plan: (Health Savings Accounts (HSAs) vs. flexible spending)

○Commissioner Duvall asked if this is vested and if it could be discontinued if it gets too large. The manager said that it may be legal, but would be difficult.

○Miller – The idea started as a teacher perk; then they wanted to give it to all, including staff, bus drivers, teachers and coaches = 600 employees. What about the 280 county employees?

○Commissioner Phillips would like the school system to consider HSAs instead of flexible spending.

○Guice – This is a big challenge = large increase in the budget request.

○The manager noted that the sum of all the increases requested without the medical reimbursement plan is roughly 7%. The board of commissioners has already committed to 2 more years of teacher supplement increases. This year the increase is to 6.44% = \$87,000 + FICA; then to 6.76%, and then it will stay flat. This is significant already. He suggested that maybe we can look at this after the next two years.

○Miller – What is the goal of the proposal? This would not be limited to health care expenses and the money can be used for child care, for example. In the medical reimbursement plan, the unused money would go back to the schools; with the HSA the money would stay with the employee.

○Transylvania County is ahead of Henderson and Haywood counties and catching up to Buncombe County. The issue is how to stay competitive.

○Commissioner Miller would rather give incentives to qualified teachers. \$350 across the board to all staff doesn't make sense to him. He would prefer to deal with the rest of the staff separately. Commissioner Guice has difficulty with this also.

○Duvall – Keep in mind that as salaries rise, supplements increase accordingly.

○**ACTION:** The board of commissioners is seriously concerned about this issue; communicate this to the schools.

●COLA Increase:

○The COLA increase seems high.

○County employees got 3% COLA increase.

○**ACTION:** The manager will see what the state is projecting. Is there an increase mid-year?

●State Refund on Sales Tax:

○The schools want the county to make up \$81,000.

○The chairman asked if we had backed out the sales tax when that was started years ago, and was told that sales tax was not backed out. So, in essence, we funded what the schools asked for and they were able to also get the sales tax refund, which went into the board of education's fund balance.

○Miller – This is another item that the state is no longer funding as it did in years past; therefore, the state gets more of the money. The effect of this is to push more cost onto the counties.

●State Discretionary Cut:

○The school system is projecting that the state discretionary cut will be \$39,000.

○The state has asked all school systems to cut back mid year (non-classroom)

●Summary:

○Duvall - Don't respond item-by-item. Give the schools a certain amount or a maximum % increase the county will fund. He feels that the county cannot afford a 10% increase.

○Manager - Current expense has been in the neighborhood of 5-6% increase each year.

○**ACTION:** The manager will bring this information in on Tuesday.

○Duvall - We need to start dialogue earlier.

○Other current expense issues:

- The schools went into their fund balance by \$75,000 and are now asking Transylvania County to make it up.

■**ACTION:** Ask schools how the \$75,000 was used.

Capital Requests: The board of education has requested \$2,682,925, which is an increase of \$989,480 (58.4%) over last year's budget. This amount includes renovation costs for the Morris Education Center.

●Capital Request Issues Include:

○Morris Education Center

○Multimedia classrooms

○New greenhouse (Rosman)

○Rosman Field House

○Brevard Field House

●Discussion about Morris Education Center:

○The budget request is 58.4% over last year. If we back out the costs requested by the school board for the Morris Education Center, we would still have an increase of 30%.

○The school board hopes to replace the building at an estimated cost of \$2.85 million. This does not include the purchase of land, which may or may not be necessary.

○Funds have been requested from Congressman Charles Taylor. However, the fear is that if we get, say, \$500,000 from Taylor, the county would have to fund the rest.

○Another option would be to remodel the facility at an estimated cost of \$750,000. Renovations would include replacing the roof, windows and HVAC, etc., but would leave the big offices the way they are.

○Another option: Commissioner Duvall noted that the current condition of the windows, roof and AC at the facility creates a waste of energy and money. Is there something in between their dream building (\$2.85 million + land acquisition) and just renovations to the old building (\$1.0 million)? In addition, we need to find out about any commitment to the community about the building, i.e., turning it back to the community in the future if not used for a school building. **ACTION**: The manager and legal team will find out what commitment was made under Dr. Holliday?

○Option: Commissioner Miller suggested that the best alternative might be to find space (14,000 sq. ft. for admin space + 3,000 sq. ft.) in an existing county building. But where? There is also a question about what to do with Rosenwald, which belongs to the school system.

○Guidance to manager: Let the manager do some research.

●How Does the BOC Wish to Authorize Category I Capital?:

○The manager stated that the NC general statutes give the BOC authority to allocate Category I capital by project. 20% of North Carolina counties authorize Category 1 items by project.

○Schools must ask the BOC to exceed the budgeted amount.

○Schools must come back to the BOC if there is an underage or an overage.

○Schools cannot unilaterally spend the leftover money on whatever they want. The schools' current practice is to put underages into their fund balance.

○Schools cannot change the project or the scope of the project and keep the rest of the money.

○Schools cannot move money from capital to current expense without BOC approval.

○Example: lighting for Brevard High School. If the commissioners authorize \$75,000 for lighting for BHS, the school cannot spend over \$75,000 unless they get the authority to do so from the BOC. If they spend less than the allotted amount, the school board would have to go to the BOC for the authority to keep the remaining funds for another project. Otherwise, the money would revert back to the county, not stay in the school's fund balance.

○Chairman Guice stated that the money belongs to the citizens of Transylvania County and we are responsible and accountable for the money. Under the system in the past, any money left over from a project was left in the school's fund balance and not returned back to the county to be used for its projects. He suggested that we take any overage and put in a reserve account for future school capital projects. We can designate an amount for the fund balance. There was some discussion about this concept. Commissioners Phillips and Chappell agreed that this could be a good thing and that it would reduce the need for the schools to come back to the county. Commissioner Phillips feels that the schools have been a good steward of the money, in general.

○Commissioner Miller noted that the schools also maintain a fund balance for current expenses/operations.

○Wrap Up and Guidance: The school system has been able to build up a capital project fund over the years and was able to finish the Rosman project with this money. The chairman feels that it is better to allocate funds on a project-by-project basis so we can control the money and minimize the year-to-year burden (for Category I projects) on the taxpayers.

■.....The county uses a greater level of scrutiny on capital allocations.

■.....Under the current system, the county loses control after allocating funds.

■.....We will need to respond soon.

○**ACTION**: The manager will get information on the school's fund balance for Tuesday; we will revisit the issue on Tuesday.

- **ACTION:** The manager will find out how other counties administer this.
- Commissioner Miller suggested that we limit the amount we give the schools – not the full \$2.6 million.
- If we look at the total increase that the schools want, that is \$.046 on the tax rate.

BREAK: The chairman declared a break from 7:40 to 7:50 p.m.

REVIEW OF SPACE NEEDS ASSESSMENT

● Background and Purpose:

○ A Space Needs Report to look at all needs within the various departments (25-26 departments) was received and accepted in May 2005. However, the board of commissioners has not discussed the report in any detail regarding the future needs of departments and the utilization of county property.

○ Most pressing needs:

- Jail facility: We are moving ahead with the jail project, plus EMS, Sheriff and others. Completion is expected in 2009.
- Courthouse: Need courtroom space and offices. Security is also an issue. There are no metal detectors, no holding cells, overcrowding in the courtroom and hallways, and co-mingling of inmates with victims and others in the halls.
- Public health
- Emergency services
- Information Technology
- Use of old library:
 - Options for the old library: 1) the study said to use the old library for administration space, freeing up the admin building for courtroom space, 2) sell it, or 3) give it to a non-profit
- Use of 3rd Floor of DSS:
 - Usable space is 5,400 sq. ft.
 - Option: Move the health department there
 - Option: Move first floor of DSS to the 3rd floor

● Discussion:

○ Courthouse Space - Proposed Goal: Commissioner Miller suggested we need to find a way to defer a major addition to the courthouse for about 10-15 years. Commissioners agreed. What can we do to buy some time?

- A courtroom in the old administration building could be used as a district court, and can hold about 125 people. In addition, there is room for a holding cell in that building. There was discussion about using the admin building for an additional courtroom.
- The space could also be used for video arraignments. Chairman Guice noted that video arraignment (serving offenders) is already underway.
- Another question to answer is what to do about the additional parking that will be needed.

○ Old Library and DSS 3rd Floor: There was discussion about what to do with the old library and DSS 3rd floor. The manager feels that we need to understand the needs of the health department first. The idea is to keep DSS and the health department close together because they have an overlapping clientele

(putting admin on the third floor blocks this). Perhaps the best place for any health department expansion is on the third floor. Once we decide what to do for the health department, we can then decide what to do with whatever space is left over. There is 10,000 sq. ft. in the old library building; however, the basement is and will continue to be used for storage. Therefore, there is basically 7,000 square footage of useable space in the old library. The manager suggested that this would probably be a good use for admin.

-The chairman asked what program is no longer being held in the DSS building that was an issue when the study was made. Volunteers in Medicine is no longer there, but the health department has other needs now.

-We have to consider ADA compliance when considering space for the health department.

-The expected cost of moving the health department to the third floor of DSS is \$326,700.

-The manager asked for direction on whether we are going to move ahead with the two projects. He noted that the health department is the key that will drive the other

projects. **ACTION:** Artie Wilson and Steve Smith will develop a plan for the health department to be ready within 120 days. There should be adequate, common waiting rooms wherever possible. In addition, the building permitting department and environmental health should be in close proximity to each other.

-The expected cost of moving administration to the old library is \$1.2 million. Money has been set aside for the project. One of the problems with the old library is the issue of parking.

-Current deficiencies in the administration building include cramped quarters for the finance department, virtually no room for the BOC, and insufficient and noisy space for the clerk.

-Options for administration: Commissioner Phillips suggested that we look at alternatives such as Food Lion which has plenty of parking. The chairman stated that it is important to keep administration in the downtown area. Commissioner Duvall agreed that we would lose efficiency if we moved admin that far away from other departments. In addition, we must consider cabling and other costs of having admin in a remote location.

-The general consensus was that the old library would be a good fit for administration. We own the property, but it would have to be renovated. If we sell the old library we would have to buy other property and then renovate it for administration. There was no interest in giving the old library to a non-profit organization.

-**ACTION:** Develop a plan within 120 days for the old library to be used for administration, and develop a plan for the use of the old administration building as a courthouse with courtroom and holding cell.

○IT Space:

-We need 4 offices.

-The manager feels we don't need space for a training room.

-We want all of IT to be together.

-The key to this is to get the health department done first.

○Old jail facility:

-Study: Move planning and economic development and the inspections department to the old jail facility.

-Decide where cooperative extension should go.

-Again, the key to this is finding the space for the health department.

○Next on the list should be dealing with courthouse security.

○Storage for Board of Elections: The manager reported that arrangements have been made in the basement of the DSS building that should work for them.

○Board of Education Office Space: 17,000 sq. ft. is needed, with 14,000 sq. ft. for administration only. We need to look for space that will meet their needs. Winn Dixie and Revco = 33,000sf and Food Lion = 24,000sf. Using the old library wouldn't work because that would displace other uses.

○GOAL: Efficient use of building spaces. Also, we want to get out of leasing space.

Transylvania County Cultural Center at Silvermont has been suggested: There are five non-profit organizations interested in using the site at the tennis courts behind Silvermont as a cultural center. The facility would be used by the Brevard Little Theater, Transylvania County Arts Center, Transylvania Historical Museum, Brevard Community Band and the Brevard Orchestra Association. The Silvermont mansion would be renovated and used as the Historical Museum. They will provide the funding to do this, if permitted. An architectural firm has already drawn some preliminary plans for the site. The deed transferring the property to the county allows for the above usage. The project is planned to not require county funding, other than the use of the site. Existing users are identified and provision for them would be part of the plan. The interested groups have the beginnings of an organization plan, along with fundraising ideas. **ACTION**: We will meet with them to discuss the possibilities.

BREAK: The chairman called a break from 8:50 to 9:00 p.m.

ANIMAL SHELTER

●Background: Based on an estimated cost of \$600,000 to build an animal shelter, the board of commissioners set aside \$300,000 in last year's budget to start this project. The big issue now is the location for the shelter. The Calvert site at the old landfill has been discussed as a possible site, but the old house on the property would have to be removed. Use of the site would also require approval from the Solid Waste Division of NCDENR and from the NC Department of Agriculture. The manager asked if this is the direction the commissioners want to go.

●Discussion:

○Must discuss and decide on capacity and holding times.

○Receivership of Tag and county - roles and expectations

○TAG needs non-mandated space spaces (public, adoptive) to raise funds.

○Health Director Steve Smith believes it will take more then \$600,000 for the project; the estimated total is now \$700,000 to \$800,000.

○Mr. Smith presented an update of recent efforts using the Henderson County animal shelter project as a comparison.

○The animal shelter committee met and wants to prioritize the baseline components. These will drive the county's costs and some features may have to be phased in. He will share the minutes of the last meetings of the committee with the manager and commissioners. Drivers for fundraising efforts will be for the public area spaces, etc.

○Commissioner Chappell asked about methane gas project at the landfill. The manager will look into that.

○Commissioner Duvall asked about the water and sewer situation. Water is already available. Rosman can provide sewer and is about ready to start wastewater plant renovations.

○Mr. Smith had been asked to consider:

1) the Morris Road property site as a possibility; however that site would be farther down the road. He feels the Calvert site is preferable.

2) rehabbing some existing facility on the Ecusta campus, but zoning would be problematic.

○The BOC was in agreement that the Calvert site is the best alternative.

○Next steps: 1) set location, 2) get approval from state (DENR and Department of Agriculture), 3) finalize agreement with TAG about components, 4) have architects draw up schematics, and 5) make funding decisions.

Commissioner Duvall moved to designate the Calvert site as the site for a new county animal shelter and to seek state approval. The motion was seconded by Commissioner Chappell and unanimously approved.

REVIEW OF COUNTY CAPITAL REQUESTS

○Administration: Push vehicle replacement to 2007-08

○Communications:

- 911 system update – No new tax dollars; the 911 surcharge will fund it.
- Hold upgrade until in the new facility (2008-09)
- Vehicle replacement: 13-14 years old - has a lot of mileage on current vehicle.
- What will the move to Morris Road mean to the number of repeaters we will need? A stealth tower is not necessary; the manager doesn't foresee a problem.

○Elections: Voting machine racks are being purchased now; funds will come from \$500,000 set aside.

○EMS: Target is to replace only one ambulance next year.

○Health department: \$25000 requested for dental clinic

○IT: \$75,000 for servers. Will have to replace all in 2010-11.

○Library: Looking for bookmobile donor

○Maintenance: Hold HVAC upgrade in Community Services building until space moves are decided.

○Child Development: The playground is too high, sand movement, water problems; assessing with Duke Power and will have more info later.

○Parks & Recreation:

- Relighting field #1 = \$55,000 – possibly hold
- Re-plaster pool at Champion Park = \$50,000 (after Summer 2006 season)
- Need shower facility at Park/Rec building for Red Cross shelter use; trying to see if we can find grants to help.

○Sheriff: Replace vehicles \$200,000 and data terminals = \$27,000. Data terminals are about 4-5 years old.

○Tax Assessor: Mapping project = \$7,500; out in future (2009-10) is orthophoto replacement = \$100,000.

- Revaluation: We are doing this in-house and each year we set aside funds.

○General fund: \$1.127 million in 06-07

○Solid Waste:

- Small dozer overhaul or replacement
- Pickup truck
- Containers
- Skid-steer loader
- Looking into widening & paving Woodruff Road to landfill = \$120,000
- Partial closure study re: life in existing landfill cell. Funds already set aside for this and for cell #4 closure.
- Leachate: There were complaints of gas in sewer lines, so now we are hauling leachate to a site behind the college. We hope to use Rosman. Commissioner Duvall asked if we could pipe the leachate and help Rosman upgrade its plant capacity to handle it. The manager replied that it was possible. Also, we could possibly re-circulate like Buncombe County.
- ISSUE: Possibly construct an LCID landfill to maximize the life of the lined landfill.

PUBLIC COMMENT

○Mr. Larry Reece thanked the board for choosing to hire a county engineer for space needs.

- County documents and drawings are scattered
- Need safe, secure, fireproof storage
- Architectural firms, not the county, own the documents

○Commissioner Miller reminded us of a broader concern regarding county vital records overall and the need for storage and preservation.

COMMISSIONER COMMENTS: No comments were received.

PROCESS CHECK: Chairman Guice stated that no changes would be need for Tuesday's meeting. He noted that it would be important to give the necessary time to discuss retiree health insurance.

Commissioner Duvall moved to recess the meeting until Tuesday, March 21, 2006, at 6:00 p.m. in the Transylvania Activity Center, seconded by Commissioner Phillips and unanimously carried. The meeting recessed at 10:00 p.m.

PLANNING WORKSHOP TUESDAY, MARCH 21, 2006

Commissioners present: Chairman David Guice, Commissioners Jason Chappell, Jeff Duvall, Ray Miller and Kelvin Phillips

Staff present: Manager Artie Wilson, Finance Director Gay Poor, Personnel Director Sheila Cozart, Health Director Steve Smith, Tax Assessor David Reid, and Clerk to Board Kimberly Conover.

Land-of-Sky facilitator: Mr. Jim Stokoe

Media: *Transylvania Times*, Stephen Sacco

Also present for portions of the meeting were Planning and Economic Development Director Mark Burrows, Elections Director Judy Mathews, Tracie Fisher, Transportation Director Keith McCoy, Social Services Director Carson Griffin, Lynn Pressley, Louise Koontz, Nancy Hughes and Charles Tompkins, DSS, Library Director Anna Yount, Marcy Thompson, Lisa Sheffield, Margaret Gregor and Kris Blair from the Library, Register of Deeds Cindy Ownbey, Beth Sales, Karin Smith, Teresa Morton from the Registers office, Recreation Director Rick Pangle, Tissie Stroup, Recreation, Genelle Chapman and Charlene Stone from the Tax Collector's office, Tax Assessor David Reid, Annette Raines, Tax Assessor's office, Delores Dodson, Beth Hyatt, Linda Tompkins and Furman Nicholson from the Health Department, Eddie Lance, Vince Stone and Brian Kreigsman from the Sheriff's office, Rita Smith and Wilma McCall from TCSD, Project Engineer Larry Reece, and commissioner candidates Ken Goble and Mason Sexton.

The recessed workshop reconvened at the Transylvania Activity Center, Chairman David Guice presiding. There were approximately 40 citizens in the audience, most of which were county employees present for the discussion on retiree health insurance. The chairman called the meeting to order at 6:00 pm. He welcomed the audience and led the group in prayer; Commissioner Duvall led the Pledge of Allegiance. It was noted that the ground rules remained in effect.

RETIREE HEALTH INSURANCE

The chairman recognized the eleven-member committee that has been working on the retiree health insurance issue, which includes Sheila Cozart, Tissie Stroup, Rick Pangle, Keith McCoy, Anna Yount, Carson Griffin, David Reid, David McNeill, Geoff Shepherd, Gay Poor and Artie Wilson. The group has been working on this project from time-to-time for the past two years. They have been working with Mr. Larry Reese and Mr. Daniel Homan from Wachovia Retirement Services, who were introduced to the group.

Personnel Director Sheila Cozart presented an overview of the process. The committee has met numerous times to discuss the rationale for providing coverage, the pros and cons of providing some type of post employment health insurance, and the goals of such a program. Those goals are recruitment, retention and reward for long-term service. Surrounding counties and counties of like size were polled. Although there was not a consistent philosophy for eligibility, many tie eligibility back to the local government retirement system.

Three options were developed. A GASB 45 evaluation was performed which would show the potential costs of providing this benefit. The information was reviewed in late January and the group narrowed its focus as a result. Option II seemed the best choice and is the one that has been further developed. Option II is tied to the retirement system and eligibility is reasonable.

- Eligibility for Option II – Retiree Health Insurance:

- All service must be with Transylvania County
- Retiree with NC Local Government Employees Retirement System from Transylvania County
- 30 years of service with no minimum age – Transylvania County will pay 100% of employee coverage. Employee would pay for dependent coverage.
- 20 years of service and 55 years of age – Transylvania County pays 80%, employee pays 20% of employee coverage.

- 15 years of service and 60 years of age – Transylvania County pays 60%, employee pays 40%.
- Coverage terminates at Medicare eligibility.

The group recognizes that there would be a small residual savings in that retiring employees are usually replaced with lesser-paid employees, with no vacation or sick leave balance and who do not get longevity. Some efficiencies may be gained by replacing an employee who has reached his peak of productivity and who does not have an option of insurance, but continues to work.

● Accounting Rules Overview: Mr. Larry Reese, Wachovia Retirement Services, has worked for over 14 years within the managed care industry. His experience includes management and oversight of the employee benefits trust for the North Carolina Association of County Commissioners (NCACC). Mr. Homan, Wachovia Retirement Services, is the primary senior actuary on this project and has worked as a consulting actuary with various companies and as a corporate in-house actuary for Hershey Foods Corporation. He has over 18 years experience working with retirement plans for private and public sector clients. Mr. Homan presented an overview of how the corporate world has handled programs and how GASB 45 came about.

In general, pension plans were funded starting when an employee began working, and the cost was expensed on a pay-as-you-go basis. In 1989, accounting standards required that corporate entities start recognizing their retiree medical programs as an accrual for active employees. GASB followed private corporate practice for 13 years, after which governments were included. Under GASB 45 rules, an entity must show employee liabilities on its balance sheet. Accordingly, accumulated benefits become an issue. Under GASB 45, there is a past liability with a staggered implication date that phases in according to the past liability. If you have revenues over \$100 million, the entity must recognize this liability starting July 2007. For revenues between \$10 - \$100 million the liability must be recognized starting July 2008, and less than \$10 million the liability would be recognized starting July 2009. Transylvania County's compliance date is July 2007.

Mr. Homan explained to the group the concept of implicit subsidy (IS), which is the true cost of the plan based on the employees' age. It combines pre-65 retirees with active employees. In general, pre-65 retirees are about two to three times the cost of an active employee. Implicit subsidy must be carried on the books even if the employee pays 100% of the premiums for spouse or family. A graph was prepared to show the implicit subsidy costs and that medical costs increase as the age of the employee increases.

Option 2 would provide a benefit to those retiring from Transylvania County with at least 15 years service up to age 65. At age 65 the employee would be eligible for Medicare and the benefit would be terminated. The plan would also allow the employee's spouse to be on the plan, but the employee would pay the true premium. Those costs would also be reflected as a liability on the books.

The discount rate is also very important regarding the annual costs of the plan. The sum of expected future payments is calculated in terms of today's dollars. Per GASB 45, the discount rate used must be the expected return on assets of the county. The lower the discount rate the higher the cost. GASB allows an entity to amortize past liability over a maximum of 30 years.

Post-employment benefits (OPEB) are benefits other than pension benefits and include post-employment health care benefits, regardless of the type of plan that provides them. Annual required contributions (ARC) are the employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with parameters. If the county does not fund the ARC, its net OPEB obligation (the total of the ARC and annual premiums paid by the county) accumulates and must be shown as a liability on the books. If the county funds the total ARC amount, its net OPEB obligation is zero.

The committee recommended Option II to the board of commissioners.

• Questions and Answers:

○Philips – What is allowed on types of investments and rates of return on assets? That's difficult to say, but it's best to get the highest percentage equities. Every ½ percentage point has an impact on the liabilities.

○Guice – 90 of 100 counties in NC (+ 44 counties that contribute to 401k plans) cover health insurance for employees, why hasn't Transylvania County done this earlier? GASB does not require counties to fund ARC.

○Guice – How does not funding the ARC affect the bond rating? During the first year, it will not be affected; however, in later years the bond rating would be affected by how large the liability is and how well you can control it. It was noted that Transylvania County has already taken steps to control costs.

○Can the local government terminate the benefit? Most governments break employees into four groups to control the liability.

○Commissioner Miller asked about the effect of costs with the minimum age for retirement and the minimum years of service. In the private sector many companies use an age and years of service formula, such as 50 + 30 years of service = 80.

○With 401k plans, the average employee tends to make safe investments, not much in equities. Adverse selection = healthy employees move to cheaper private plans if the county fails to pay a large enough percentage of costs and the unhealthy employees' health care is paid by the entity.

• Employee Input:

○Brian Kreigsman started work at 19 and will be able to retire in 5 years. He doesn't want to wait until, say, age 55 to retire.

○Nancy Hughes asked if time with another state would count. The time would not be counted.

○David Reid questioned the savings presented by Mr. Homan. He feels there would be a significant savings when an employee retires. He would like to see additional numbers and replacement hierarchy. Mr. Reese replied that health cost escalation overcomes savings of "domino" effect when an older, high-cost employee is replaced with a young employee.

○Gay Poor asked about which column on page 8 represents the county's payments to retirees over time. The estimated employer contribution (\$12,256) is the amount of annual (not cumulative) premium the county would pick up for the retiree.

○Sheila Cozart – One concern of the review group was pre-existing conditions that would preclude an employee from getting insurance. County coverage would help out with this. If the retiree goes to work in the private sector, the county plan would become secondary if the company provides primary coverage.

•☐☐☐☐☐☐☐☐☐☐Chairman's Comments:

- The county should exhibit good corporate citizenship and health coverage is an important component of that.
- Transylvania County should not become part of the problem, but should have a culture of caring for employees.
- The study clarifies costs to the county for the next 3-5 years. \$500,000/year cost is significant.
- Two reasons why 90 counties offer retiree health insurance:
 - It is the right thing to do for employees.
 - Benefit to the county is a savings when a young employee replaces an older one and a benefit to the taxpayer by providing better service to them.
- This will keep motivated employees in the county which is a benefit to the county. We lost 3 employees recently because we do not offer this benefit. The turnover represents a significant cost to the county. Lost service time has a negative impact on citizens.
- Some employees are only working to keep health benefits. This creates a higher rate of absenteeism and lower motivation. He wants enthusiastic employees in all county positions.
- Transylvania County must remain competitive – we owe it to employees and citizens.
- Governments are not corporate businesses – they do not exist to earn profits. He's not sure GASB costs relate to government the same as to private businesses. Because we don't generate profits, the gauge of success is serving the people, and the level of competence depends largely on how well we treat and pay our employees.

•☐☐☐☐☐☐☐☐☐☐Commissioner Responses:

- Miller – The issue of health insurance is part of the compensation Transylvania County provides employees. It originally started as a non-taxable benefit to employees. The issue of coverage vs. another benefit becomes a matter of dollars and cents. We have to look at it as part of total compensation.
- Duvall – There is no similar benefit in the private sector. He pays his own premium. The county taxpayers, many without this benefit, will have to pay for this with their tax dollars.
- Phillips – There are lots of similarities with the public sector and government. The government, like businesses, requires efficiency, but sometimes we must give our employees an incentive to be as efficient as possible. Lots of good data was provided by the review group and consultants.
- Chappell – This is a dollars and cents issue, but also a right and wrong issue. We ask a great deal of our employees, and this is a benefit they have earned even though the figures scare him.
- Guice – Gave Wake County as an example where new hires get a 401k and current employees get health coverage. He asked if we could offer two separate plans according to longevity. Mr. Homek replied that we could, and other options are also available. 44 counties offer 401k in addition to health insurance.
- The chairman agreed with Commissioner Miller that this is part of total compensation. He summarized the recommendations as 1) more BOC discussion, 2) more research must be done, and 3) the goal is to make a decision by the FY 06-07 budget approval.
- Miller – Agreed we must make a decision soon. Our competitiveness should be on total compensation.

The general consensus was that there would be a decision on retiree health benefits before the budget is complete.

BREAK: The chairman called for a break from 6:55 to 7:10 p.m. There were approximately 10 people remaining in the audience.

REVALUATION

○The next revaluation is scheduled for 2007 (effective 1/1/07, notices out 2/07). The tax assessor has asked to move the revaluation back to 2009.

○The reason for the request for delay is that the current software company is now in bankruptcy. We have to make a software replacement decision and we haven't found other software yet. At this point, there is not enough time to do a good job. The recommendation is to postpone the revaluation for two years.

○We will be close on the 90% rule sales/assessment ratio. If we fall below the 90%, we would have to take the "hit". (\$5-10 million valuation = \$50,000)

○10 counties use IIS (Wake County) software; 20 counties use the system we use.

Commissioner Miller made a motion to accept the recommendation of the tax assessor to move the revaluation to 2009. The motion was seconded by Commissioner Duvall and unanimously approved.

REPORT ON STATUS OF PUBLIC SAFETY FACILITY

Chairman Guice presented a design drawing of the new jail facility/law enforcement center, which has been reviewed by the design committee. Emergency management, communications, sheriff, fire marshal, the EMS director, emergency operations center, 911 communications and others will be located in this building. There will be one public entrance to the building, entering into a vestibule with a panic button. The LEC will be open 24 hours a day, with security (metal detector) at the public entrance. An employee door near the employee parking on the side will have card access.

Offenders will enter through the sally port, which is large enough for a bus or multiple vehicles, and enter into the pre-booking area. Holding cells will be available for harder-to-handle offenders. There will be three self contained pods with firewalls and separate HVAC: 1 for female offenders (26 beds), 1 for maximum-security male offenders (44 beds), and 1 for medium-custody male offenders. Expansion is possible. There are no dorm-style units. The pressurized cells will isolate toxics, etc.

Security (safety of workers, inmates and public) will be paramount. The number of staff that will be needed has yet to be determined. A timeline was distributed showing January 2009 as the completion date, followed by a training period and opening in the Spring of 2009.

BOARD OF EDUCATION REVISITED

The manager was able to get answers from Sonna Lyda to questions asked the night before.

○Fund balance: capital = \$478,000; unreserved = \$14,000

○\$75,000 was for encumbrances (purchase orders) for FY05 that were not paid until after July 1. The manager felt that the \$75,000 for encumbrances was not a good explanation. **ACTION:** Get a better explanation.

○Teachers received a 2% increase mid-year paid for by the state. Teacher supplements beyond 2008 have not been discussed.

○The current square footage in the Ed Center is 9,570 sq ft on the first floor and 4,708 sq ft on the lower floor. This is close to the 14,000 sq ft desired by the board of education.

○The estimated cost of the RHS field house is \$510,000 paid for from the school's fund balance and contingency. The additional \$120,000 needed would come from the fund balance.

○Commissioner Phillips asked what the basis was for the locker rooms being converted to class rooms. **ACTION:** The manager will look into the question.

●☐☐☐☐☐☐☐☐☐☐Outstanding Issues:

○Size of increase to offer the schools

○Funding of capital projects – (We need to first answer questions posed by Commissioners Miller and Duvall, but there is no time to get those answers today.)

●☐☐☐☐☐☐☐☐☐☐Discussion:

○Chappell – Suggested we invite the Board of Education to our meeting (supported by Commissioner Miller). The chairman, however, questioned the value of a joint meeting to tell the schools our decision.

○Miller – We need to set a goal for capital (58.4% requested) and current expense (10.2% requested)

○Commissioner Phillips would like to designate a set-aside for the Ed Center. Commissioner Duvall felt we should keep this amount in a county fund.

ACTION: Put on agenda in the future: How capital projects for the school board will be handled in the future. We need further discussion among BOC on how to communicate with the schools. We need to set a goal in both capital increase and current expense increase; the manager suggests 5%.

FINANCIAL PROJECTIONS:

Finance Director Gay Poor reviewed assumptions for revenues:

○General inflation rate of 3% each year

○Custom inflation for specific items

○\$75 million tax base annual growth

○Tax rate will stay the same at \$.54

○Collection rate stays the same at approximately 98%

○1.5% growth in point-of-delivery sales tax

○3% and 1.5% on Article 44 taxes

●☐☐☐☐☐☐☐☐☐☐Assumptions for expenses:

○Average merit increase of 2.1 % and COLA increase of 3% = 5.1% increase in salaries

○Health insurance = 12% increase

○Schools = 5% increase on current expense and 5% on capital

○School's debt = \$2.6 million a year

○Worker's comp coverage = 50% increase predicted by NCACC for next year, in spite of a good experience record

○Property and liability insurance increase of 19% for next year, plus \$9,000 additional premium for library

○Jail = \$20,000 rough estimate

○Public assistance (includes Medicaid) = 13% increase

○BRCC = \$1.3 million in capital

●□□□□□□□□Notes:

○Library revenues are one-time only

○Jail staffing for 2009 is not included

○35% of budget is personnel

IMPACT ON FUND BALANCE – drops to 1.6% in 2011. This does not include the jail or space needs projects.

BUDGET GUIDANCE

○Guice - Salary increases, pay-for-performance and COLA, and other things are on the table for discussion.

○The chairman wants to talk with the tax assessor for better understanding of projections.

○The chairman also wants to look at financial projections.

○The chairman feels he is not in a position to give budget guidance; Commissioners Phillips and Chappell agreed.

○Commissioner Phillips would like to see vehicles maintenance costs reduced. He feels that changing oil every 2,000 miles is too often and suggested that we change oil less frequently.

○Miller – Hold operational expenditures down to 3% maximum increase. The goal is to maintain fund balance.

○The manager noted that financials are not intended to be a budget. They indicate, however, that we can go three more years at the current tax rate, meaning that we are in good financial shape. We still have to decide on what to do with the schools, etc. He needs budget guidance for department heads. He suggested a 3% maximum increase in operational expense and use zero-based budgeting, which automatically requires justification. Capital projects should not be a problem because they require justification on each item. Department heads need CPI-related percentage limit. The budget needs to go to the BOC in May and department heads need time to create their budgets.

○Duvall – Personnel is the fastest growing item at 7%/year. He suggested limiting to 34% (the current percentage) of budget, including any retiree health costs.

○Miller – Health insurance increases are huge.

○Guice – There are 292 positions, 4-5 vacancies. He suggested freezing vacancies. But don't put all controls on the backs of employees.

○Guidance for schools: Commissioner Miller recommended a 5% increase in current expense and 5% maximum increase for capital projects = \$414,583 total = 1.1¢ on tax rate.

○Commissioner Phillips suggested another 2-hour workshop to discuss this further.

BREAK: The chairman called for a brief recess from 10:00 to 10:10 p.m.

BUDGET GUIDANCE (Con't):

●□□□□□□□□Guidance for Schools:

○3.5% operating expense increase over last's years appropriation = \$230,693

- 5% increase on capital, with 2.5% (\$42,336) designated for the Morris Education Center and 2.5% (\$42,336) yearly capital increase.
- Capital funding appropriation = \$1,735,781

Commissioner Duvall moved to provide this (above) as budget guidance to the schools, seconded by Commissioner Phillips and unanimously carried.

- Guidance for Department Heads: Discussion centered on zero-based budgeting, which means that every line item will have to have justification for what is being requested, and on using a 3% inflation rate for general supplies, etc. as guidance to department heads. There was agreement that 3% was preliminary and several commissioners agreed that cuts might be made on the final budget.

Commissioner Duvall moved to approve an inflation rate of 3% and provide this (above) as budget guidance to department heads, seconded by Commissioner Phillips and was approved by a vote of 4 to 1 (Commissioner Chappell voted no).

ACTION: Gay Poor will go back and re-look at staff cost increase assumptions. We also need to plan for 2009 public safety staff costs.

PUBLIC COMMENTS:

David Reid appreciates the hard work of county staff and commissioners.

SELF CRITIQUE:

What went well?

- The food was good and there was plenty of it.
- Appreciate having Jim Stokoe as the facilitator.
- Good information recorded that will be useful.

What would you like to do differently next time?

- Guice – Would like to have the next workshop in the community room at the new library.
- Guice – Would like to have gotten to space needs issue sooner, prior to this workshop.
- Duvall – Agrees with that and feels that the discussion on retiree health insurance should have been at a different time.
- Guice – Difficult to do budget guidance so soon after receiving the financials.

Chairman Guice thanked the commissioners and staff for their hard word, and the public for attending.

Commissioner Phillips moved to adjourn the meeting, seconded by Commissioner Chappell and unanimously approved. The meeting adjourned at 11:00 pm.

W. David Guice, Chairman

ATTEST:

Kimberly T. Conover, Clerk to Board