

DRAFT

MINUTES

**STATE OF NORTH CAROLINA
COUNTY OF HENDERSON**

**BOARD OF COMMISSIONERS
APRIL 5, 2007**

The Henderson County Board of Commissioners met for a special called meeting at 6:00 p.m. in the Commissioners' Conference Room of the Henderson County Office Building.

Those present were: Chairman Bill Moyer, Vice-Chairman Charlie Messer, Commissioner Larry Young, Commissioner Chuck McGrady, Commissioner Mark Williams, County Manager Steve Wyatt, Assistant County Manager Selena Coffey, County Attorney Russell Burrell, and Clerk to the Board Elizabeth W. Corn.

CALL TO ORDER/WELCOME

Chairman Moyer called the meeting to order and welcomed all in attendance, stating that the purpose of the meeting was the Board's first budget workshop for FY 2007-2008. The Board hopes to review all revenues at this meeting and discuss the collection rate. The Board also hopes to have a beginning discussion with respect to the Compensation Plan.

Commissioner Messer made the motion to approve the agenda. All voted in favor and the motion carried.

**FY 2007-2008 BUDGET WORKSHOP
REVENUES**

Ad Valorem Revenue Forecast – Stan Duncan

Mr. Duncan distributed a hand-out entitled "Reappraisal Update". He stated that the tax base is comprised of:

1. Real Property
2. Motor Vehicles
3. Personal Property
4. Public Service Companies

Mr. Duncan reviewed some figures for the past year with the Board. The projected tax base for FY 2006-07 as of April 28, 2007 was \$9,360,115,000 with almost 82% of that being real property. He reviewed other numbers with the Board as well. Comparisons were also made with other counties, to see how we stacked up.

Mr. Duncan discussed the fact that FY 2007-08 is a moving target. He had given ranges for the registered motor vehicles, personal property and public service companies. Since that time reappraisal notices have gone out. He then reviewed the actual projected numbers as of today (April 5, 2007):

Real Property	\$10,459,000,000
Registered MV's	877,500,000
Personal Property	798,700,000
Public Service Co.	183,500,000
TOTAL TAX BASE:	\$12,311,200,000

The projection for registered motor vehicles is slightly less than what we took in last year, due to the change in how commercially tagged vehicles were handled during calendar year 2006 and through 2007. Some motor vehicles got a 7 month tag which means they got billed twice in the year of 2006. Some got

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an 18 month tag so it depends on how that commercial tag came across from DMV. He reduced that number because he knows that we picked up some vehicles twice in calendar year 2006.

Mr. Duncan explained that notices have gone out and that there will be changes to this tax base due to those reappraisal notices having been received by the tax payers and property owners of Henderson County. He stated that they are seeing a larger number of people coming in and asking to apply for the elderly exclusion which is a 50% reduction to their home and their home site acre and any related home improvements. They are also seeing present use value applications coming in. If they meet the requirements, that could have a significant effect, especially on some of the more rural taxing jurisdictions.

Mr. Duncan explained that there are at least three bills currently before the General Assembly that deal with the elderly exclusion program and they are effective as of the 2007 tax year. The remaining bills are mostly effective for 2008. All those bills deal with present use value and the elderly exclusion program.

Mr. Duncan stated that our real property component went up and continues to be the major player in the tax base, the other three components had reductions in terms of their relationship to the total. Mr. Duncan stated that his estimates are routinely on the conservative side. He mentioned appeals and their impact on real property, stating that they are currently in the midst of the informal appeal process. He stated that they've had a steady response to the reappraisal notices but what they are currently seeing is applications for present use value, elderly exclusion. By April 16, they will know how many people have actually appealed and what the value of that property is and they will be working with those face to face to try to get them all out of the way before they advertise for the Board of Equalization and Review on May 7. The Board should have a different set of numbers after that. If there is a substantial change in either direction, it will be explained and noted to the Board of Commissioners per Mr. Duncan.

Mr. Duncan mentioned that currently (as of yesterday) they had 793 appeals that have been filed from the mailing of the reappraisal notices. They have begun working those and investigating them. They have reduced the valuations on 78 appeals. They have raised the valuation on one appeal. They have had 67 that they've not made any changes to. They still have about 647 remaining to be reviewed. The window for the informal appeals closes on April 16. The Board of Equalization and Review is the first formal appeal avenue for the property owners. They will be advertising in the local paper and will run an announcement on the radio that the window of opportunity for those appeals will begin on Monday, May 7 and the Board will adjourn from the taking of requests. They will not adjourn from their actions as a Board but they will adjourn from the taking of requests on Friday, May 31 at 5:00 p.m. Appeals may be heard for quite some time. They have not noticed a single property type or single location constituting the overwhelming majority of those appeals. Mr. Duncan stated that the appeal process improves tax equity.

Percentage of Tax Collections – Terry Lyda

Terry Lyda, Henderson County Tax Collector, addressed the Board stating that he anticipated collecting 97% in the up-coming fiscal year. That is basically what they've done in the past. That is the figure staff has used in the budget for the coming year.

General Fund Revenues – Selena Coffey

Selena Coffey explained that Revenue-Neutral is the rate for the fiscal year after revaluation that, taking into account expected growth in the tax base, would produce revenue that equals the current year's tax levy. The expected rate of growth in the revaluation year is based upon an average of increases or decreases to the assessed value since the last revaluation. She stated that we are required by law to notify

the Board of Commissioners and the public of what the revenue neutral rate is. She explained how we calculate a revenue-neutral tax rate:

Step 1: Determine the rate that would produce the revenues equal to those produced for the current fiscal year. Take the property tax revenue for the current fiscal year (\$53,099,205). This number is based on the Tax Assessor's TR1 Report. You divide that by the values that we expect for the next fiscal year (\$12,294,596,000) and then divide it by the collection rate of 97%. So our step 1 amount equals 44.5 cents.

Step 2: Increase the rate by a growth factor equal to the average annual percentage increase in the tax base since the last general reappraisal. The annual growth rate was calculated at 3.71%. Then you increase the Step 1 calculation by the average percentage increase to get the revenue neutral tax rate. At this point in time the revenue neutral tax rate is 46.2%. This tax rate will produce \$55,069,186 in revenues, based on these projected values.

Carey McLelland reviewed several revenue pie charts with the Board:

1. FY2006 Revenue Actuals
2. FY2007 Revenue Projections
3. FY2008 Revenue Estimates

He explained that there are three categories that make up the largest pieces of the pie: property taxes-current year, unrestricted local portion of sales tax, and restricted intergovernmental revenues (restricted for federal and state programs, primarily DSS and Health). Mr. McLelland explained that the third pie is the best estimates to date of what we will need to fund county government in the general fund. Currently we're standing at \$111,462,740 as the FY2008 revenue estimates. Mr. McLelland also reviewed the three categories in some detail with the Board, explaining the reasoning behind the FY2008 estimates, why estimates went up or down.

Compensation Plan

Steve Wyatt stated during the budget process that our salary plan had no rhyme or reason to it. We had a performance award system to award outstanding performance and about 96.8% of employees were getting rated at the highest rating. Late last summer or early last fall a Compensation and performance management team was put to work to put together a compensation plan that's based on a good performance management system that will work here in Henderson County. As we started through the process he added a kicker to it, based on what we're faced with county-wide with the need to pay debt service for new school facilities it's got to be revenue-neutral. A lot of work went into this plan.

The Project Team consisted of Liston Smith as Chairperson, Dept. of Social Services Director; Rick Davis, Sheriff; Nedra Moles, Register of Deeds; Jan Prichard, Human Resources Director; Bill Snyder, Library Director, and support staff was Mary Alice Jackson, HR Analyst. The Team was charged with developing a compensation system that will:

- Recruit and retain the best candidates for public service
- Ensure employees are being paid competitively in the market
- Establish a pay for performance plan based upon a performance management system
- Reward tangible accomplishments beyond the normal expectations
- Recognize the value of long service employees
- Be revenue neutral

Liston Smith explained that our most valuable asset in getting the job done is our employees.

The Compensation Proposal included five key components:

1. Market adjustments based on timely classification and market review

Our ability to provide effective and efficient public service is fundamentally dictated by the quality of the County workforce – our employees. Competitive pay must be implemented and maintained to recruit and retain qualified employees. Turnover is costly in time, money, and quality of public service.

Effective compensation should be equated to duties performed and required knowledge, skills, and abilities. It should also be competitive in the market in order to attract qualified employees. An organization does not determine what it pays the best employees. The market determines what to pay qualified employees. The organization determines if it is going to recruit and retain the best employees.

2. Annual cost of living adjustment (COLA)

Pay needs to keep up with the cost of living. Maintaining a living wage assists in the retention of employees.

3. Longevity Pay Program

To recognize the value of long term service and ensure the retention of knowledgeable and effective employees:

- Continuity in delivery of services
- History and knowledge of County operations
- Job experience
- Consistency in administration of duties
- Commitment and dedication to Henderson County as a responsible public servant

4. Performance Management Program

Performance Management Program should:

- Focus on what is important and makes a difference in the lives of our citizens.
- Increase accountability for the stewardship of local tax dollars.

5. Outstanding Performance Award

Provide supervisors the opportunity to recognize and reward an employee or team who, through demonstrated outstanding accomplishments “find a better way to do business”.

Proposed Implementation. Different members of the team explained to the Board different aspects of the recommendations.

1. Market adjustments based on timely classification and market review

- Establish appropriate salary grades and ranges for each classification
- Adjust salaries to correct and maintain market competitiveness

2. Annual cost of living adjustment (COLA)

- Analyze Consumer Price Index (CPI) data to determine appropriate COLA
- Move pay ranges to accommodate for the increase in the standard of living

- Adjust employees' pay to accommodate for the increase in living expenses

3. Longevity Pay Program

An investment in organizational knowledge, skills, and abilities that we cannot afford to lose. It will assist us in keeping our best and brightest out of Buncombe County.

- Lump sum payment to eligible employees
- Payment not added to base pay
- Based on actual service to Henderson County

4. Performance Management Program

A Different Way to Succeed. Effective performance management produces results and rewards high performers. Performance Management and Appraisal links to County's mission and departmental mission. Identify, measure, and reward the things that matter!

- **Core Values**
Customer Service
Accountability
Attendance
Safety
Teamwork
Communication
- **Performance Results**
Measurable tasks identified for each position that are directly related to the County's mission and the overall departmental mission.
- **Establish Tasks and Standards for Upcoming Year**
Supervisor and employee set goals annually to ensure high quality levels of service to the public.
- **Performance Management and Appraisal**
Employee will receive an overall rating of "Successful" or "Needs Improvement"
Supervisor may award the employee from 0 to 3% pay increase based on the appraisal results.
- **Requires tough business decisions be made by Department Heads**
Proposed allocation is equivalent to 2% of department's personnel pay
Department Head may award 0 – 3% pay increase for an employee based on the performance management plan.
Pay increases may not exceed departmental allocation.

5. Outstanding Performance Award

Supervisor nominates individual or team that "finds a better way of doing business".
A "better way of doing business" can be either an increase in productivity within resources or cost saving measures.
One-time non-recurring cash award.

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Staff explained that this is a win/win proposal and explained how it would impact the citizens, the county as an employer, and the employees.

Jan Pritchard explained the differences between the old pay plan and the proposed new pay plan and how the new plan relates to organizational goals and the county mission statement.

Much discussion followed. The compensation issue will come back before the Board on a future agenda.

ADJOURN

Commissioner Messer made the motion to adjourn. All voted in favor and the motion carried.

Attest:

Elizabeth W. Corn, Clerk to the Board

William L. Moyer, Chairman