

DRAFT MINUTES

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

BOARD OF COMMISSIONERS
JANUARY 21, 2009

The Henderson County Board of Commissioners met for a regularly scheduled meeting at 8:30 a.m. in the Commissioners' Meeting Room of the Historic Courthouse on Main Street, Hendersonville.

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, and Clerk to the Board Elizabeth W. Corn. Attorney Russ Burrell was absent.

Also present were: Associate County Attorney Sarah Zambon, Deputy Clerk to the Board Terry Wilson, and Public Information Officer Pam Brice as well as numerous department heads.

CALL TO ORDER/WELCOME

Chairman Moyer called the meeting to order and welcomed all in attendance. He stated that this is the Board's Planning Workshop, a very important session.

PLEDGE OF ALLEGIANCE

Commissioner Messer led the Pledge of Allegiance to the American Flag.

INVOCATION

Commissioner Mark Williams gave the invocation.

Chairman Moyer explained that the Board is having an abbreviated agenda today, not all the items we normally have. A few consent agenda items couldn't wait until the February 2 meeting so they are on this agenda.

DISCUSSION/ADJUSTMENT OF AGENDA

There were no adjustments to the agenda. *Commissioner McGrady made the motion to approve the agenda as submitted. All voted in favor and the motion carried.*

CONSENT AGENDA

Commissioner McGrady made the motion to adopt the consent agenda. All voted in favor and the motion carried.

Consent Agenda consisted of the following:

Minutes

Draft minutes were presented for board review and approval of the following meetings:

November 3, 2008

November 14, 2008

November 19, 2008

Tax Collector's Report

Deputy Tax Collector Carol McCraw had presented the Tax Collector's Report to the Commissioners dated January 9, 2009 for information only. No action was required.

Henderson County Hospital Corporation acquisition of land

DATE APPROVED _____

As part of Pardee Hospital’s acquisition of physician practices, it desires to acquire certain real estate (see attached, paragraph 12). Since the provisions of this agreement would require a variance from the normal procedure of the sale of real property this provision become operative, approval by the Board of Commissioners for the acquisition is required.

The following motion was suggested:

I move that the Board approve the purchase as indicated in the draft contract attached to this agenda item.

Reimbursement resolution for Henderson County Hospital Corporation

Henderson County Hospital Corporation’s Board of Trustees has determined it would be in the best interest of the Corporation to purchase several local medical practices, in accord with its long-term plans. Included in these purchases will be the purchase of certain real estate used in such practices.

The Hospital Corporation contemplates that the initial purchases of these practices should be made from available cash reserves. However, the Corporation Board wants to keep open for now the option of financing these purchases. To do so, since all real estate is held in the name of the County, and since any borrowing done would (1) require County approval and (2) likely require the real estate to be pledged as collateral for the loan. To do so with a later purchase, and to meet the public financing requirements for a County borrowing, this resolution is required.

The following motion was suggested:

I move that the Board adopt the Reimbursement Resolution contained together with this agenda item.

2009 HOME Grant Applications

Habitat for Humanity and Housing Assistance Corporation (HAC) are requesting funding application submission approval for HOME funds. HOME funds are administered through the Asheville Regional Housing Consortium. HAC requests \$100,000 for their Homeownership Program through USDA Rural Development Self-Help to assist 5 low-income families (3 between 50-80% of the County Median and 2 below 50% of the County Median).

Habitat for Humanity requests \$170,000 for road construction (phase 4 roadway) and septic tank installation for 10 homes (phase 4 section) in the Shuey Knolls development in the Edneyville community.

The HOME grant application requires Board approval prior to submission (January 31, 2009 deadline).

Planning Staff recommends approving the submission of these HOME funding applications to the Asheville Regional Housing Consortium at their full amount. The complete applications were too lengthy to be included in the agenda packet but are available upon request.

The following motion was suggested:

I move that the Board approve the HOME applications for the Housing Assistance Corporation and Henderson County Habitat for Humanity.

Steve Wyatt thanked staff who had worked on compiling the workshop agenda information for a job well done: Amy Brantley, Selena Coffey, Carey McLelland, Pam Brice, and Darlene Burgess.

PLANNING WORKSHOP

Service Demand Trend Summary

Selena reviewed this section with the Board. Service demand has dropped in several departments but has picked up in others:

Demand down
Code Enforcement

Demand up
EMS Calls

Environmental Health	Health Department
Inspections	Law Enforcement
Planning (Plat Reviews and Development Application Reviews)	Library
Register of Deeds (all but issuing marriage license)	Planning (Major planning projects)
Solid Waste	Social Services
	Public Transit

Basically, in hard economic times you'll see a decrease in development services and an increase in human services.

Chairman Moyer questioned how this information would be made available to the public. Staff stated that the information would be put on our website. Copies will be available in the office for people to view or they can purchase copies.

Energy Reduction Performance Report

Steve Wyatt reminded the Board that last Spring, he had challenged Department Heads to set a goal to reduce energy consumption by 10%. Department Heads collaborated to develop a list of strategies to implement county-wide to meet the directive. Progress on achieving this goal is monitored monthly.

Selena Coffey explained that we have six months of data on the following:

Electricity – reduced consumption of kilowatt hours by 6.5%.

Natural Gas – reduced consumption of therms by 24%.

Gas – reduced consumption of gallons of gasoline by 7.7%.

Diesel – reduced consumption of gallons of diesel fuel by 5.6%.

Selena also shared a bar graph on Fuel Cost Trend Summary for the same timeframe.

In September staff put into effect an emergency fuel usage policy where we only allowed emergency vehicles to use our county fuel supply and, of course, that was the bulk of the savings in gasoline use.

Currently the county uses 100 gallons per day of diesel fuel and 600 gallons per day of gasoline.

The County Manager has been and continues to talk with the City of Hendersonville about jointly utilizing our fueling station. There is some discussion about the applicability of CNG (compressed natural gas) for county vehicles and construction of a CNG fueling station, possibly regionally. There could possibly be the potential of opening it up for public use also. The nearest CNG fueling station is in the Arden/Fletcher area of Henderson County.

Chairman Moyer requested quarterly reports of service demands and energy costs on the Board's regular agendas.

Departmental Cost Allocation Summary

Steve Wyatt stated that this issue was discussed in last year's budget process with interest among the Commissioners at looking at budgeting differently and allocating all departmental costs to each department.

Darlene Burgess (Internal Auditor) stated that cost allocation was based on the FY 2008 budget. Reductions were made from the budgets of Human Resources, Engineering & Facility Services, Information Technology, General Debt Service, Special Projects, and Transfers to Other Funds. The reductions were allocated to the various departments based on criteria that would most accurately allocate the costs.

She explained that from the Human Resources budget \$72,371 was allocated to other departments, based on the number of benefit eligible employees. Included in this allocation were some of the wellness clinic expense, background checks for employees, cobra benefits, drug screenings, employee assistance program costs, flex spending accounts costs, and advertising costs for new positions.

Engineering & Facility Services - \$2,569,695 was allocated, mostly based on square footage with the exception of several line items such as automotive supplies which was based on fuel usage. Included in these costs were items such as janitorial supplies and services, rental of real property, insurance, and maintenance and repair.

Information Technology - \$455,538 was allocated, based on the number of computers used by each department. Some of the allocations, such as software maintenance and support were direct allocations to departments. Included in these allocations were e-mail costs, server expenses, software licenses, and maintenance agreements.

General Debt Services - \$3,782,146 was allocated. The allocations in debt service were allocated based on square footage. Included in this category is debt service for the Etowah Library, Historic Courthouse, Sixth Avenue Clubhouse, Vehicle voting machines, the Jail and Human Services building.

Transfers/Non-Departmental Expenses \$996,211 was allocated and includes the wellness clinic expenses, Historic Courthouse facility costs, Consulting and Grants Locator fees, and transfers to Public Schools.

Darlene Burgess explained that Governing Body’s budget changed by 261% because 92% of the debt service on the Historic Courthouse was allocated to the Governing Body based on square footage.

She explained that most of the large percentages of change were because of debt service. The cost of facilities include electricity, costs for heating, maintenance, lawn care because we don’t have debt service for many of our facilities. Parks and Recreation had some items for the FY 2008 such as sewer line construction, capital outlay for buildings and improvements.

Steve Wyatt explained that there was no depreciation within the budget as it is now.

Capital Plan Update

Carey McLelland explained that the actual outstanding debt (\$117,939,042) is 0.91% of the total FY 2009 assessed tax value and the Board Policy maximum is 3.0%. Actual debt service payments are 13.38% of the FY 2009 General Fund budgeted expenditures and the Board Policy maximum is 15%. The current balance of the Capital Reserve Fund is \$2,437,195. None of this \$2.4 million has been ear-marked.

Carey McLelland reviewed outstanding debt principal:

Education

2009 – Public Schools	\$75,787,920
2009 – Blue Ridge Community College	\$14,111,000
2009 – Henderson County	\$28,040.122 for a grand total of \$117,939,042.

The Board was given the numbers starting with FY 2009 and going to 2019.

2009 is the last year for debt payments on the 1998 School Bonds for Public Schools and for the Community College.

Carey McLelland explained that rates are starting to come down, he is looking at the possibility of refunding or refinancing some of this debt. He will share some information with the Board and the Manager on that in the near future. Our highest priced debt currently is our debt on the detention center. It is also our oldest debt.

Mark Williams stated that as we reduce our debt load, it enables us to have a little more borrowing power. He had specifically asked for this information to help guide the Board in the Capital Plan.

Carey McLelland stated that our grand total of debt service payments for 2009 are \$15,400,368.

The following list of Capital Projects has not been funded in the FY 2008-2009, or projected FY 2009-2010 budgets:

- Schools: Classroom Additions/Bus Garage
- Detention Center Expansion (new pod for 130 new beds)
- Law Enforcement Center
- New Fletcher Library/Main Library Upgrade

Chairman Moyer stated that the Board needs to update the list at this time and look at other possibilities. We have problems with lack of capacity in the new Courthouse and problems associated with that overcrowding. The issue of the shooting range has been raised. The Board will need to take a good look and prioritize this list.

Steve Wyatt reminded the Board that all capital planning must be done in the context of the larger budget.

Chairman Moyer called a 10 minute break, starting back at 10:00 a.m.

FY 2007-2008 Year End Summary

Steve Wyatt informed the Board of some good news, stating he would begin with this and end with this. He stated that when you look at the FY 2007-2008 budget these are audited numbers:

Total General Fund Budget

	Revised Budget	Actual	Variance	% Variance
Revenues	\$115,053,276	\$115,984,928	\$931,652	+0.81%
Expenditures	\$115,053,276	\$108,697,973	\$6,355,303	+5.52%
Variance	\$0	\$7,286,955	\$7,286,955	+6.33%

Steve Wyatt explained that when you look at the county’s “point in time” cash position, it improved by about 7.3 million dollars and that is very important. That is very important because hard times came shortly after and we’re in somewhat hard times now.

There were four pages of county expenditures for the FY 2007-2008 budget.

Carey McLelland addressed some of the major variances in expenditures. Board of Elections had about 40% in unspent temporary and over-time wages and benefits. There was \$49,000 in contracted and professional services still available at fiscal year end that didn’t have to be spent. There were also \$88,000 in other operating line items to make up the total for Board of Elections of a \$177,934 variance.

Carey McLelland mentioned the following:

Assessor’s Office had \$211,947 variance. A little over \$100,000 in lapsed salaries was unspent. Legal had \$73,346 in salary and benefits.

Building Services had \$174,422 – a couple of positions that have not been replaced so there are lapsed salaries and benefits.

Steve Wyatt explained that the HOME Program had \$273,228 – it is strictly a grant program.

Carey stated that the Health Programs were grant funds, unspent was \$238,855.

Under DSS – Federal and State – Medicaid was the majority of the \$1,486,632, due to the Medicaid Swap Relief Package that the General Assembly approved. Carey McLelland stated that we budgeted the full amount of Medicaid that we anticipated having to pay off but the budget was approved before the General Assembly actually acted on that piece of legislation so we had \$1.4 million in savings there.

Carey McLelland addressed a \$2,150,566 savings in debt service for the schools, because we anticipated starting these projects earlier in FY 2008 and obtaining our financing; however, the projects were not ready to proceed and we ended up not actually starting until late in the fiscal year and we obtained our loan in April of 2008. That money ended up not having to be spent and rolled over to the current fiscal year for our first debt service payment. Steve Wyatt stated that we were able to carry that money forward and it will be very important as we enter the current times we are in. These changes created a variance in the General Fund of \$6,355,303.

Steve Wyatt then reviewed FY 2007-2008 Revenues with the Board. We had strong property tax collections and a history of conservative investment earnings. Steve Wyatt stated he was very pleased with Fund Balance Appropriated and Fund Balance. We, like most cities and counties, budget fund balance to balance the budget. One objective we have is when fund balance is budgeted then we try to come up with ways not to spend it. We try to look at that as an incentive to quantify ways to economize. That continues to get more and more difficult. We were able to come in about on budget (less than 1%) without tapping into fund balance so that was a real accomplishment that amounted to a savings of \$1,896,778.

Stan Duncan addressed the Board, stating that the tax base is made up of four different components. The real property component is the largest (about 83% of the total tax base projections). He stated that he and his staff spend their time going out in the field and verifying properties on record and making sure it is as accurate as of January 1 of each year as they can. Personal property, with regards to business personal property especially, has steadily dropped off over the last couple of years. Looking ahead to FY 2009-2010 he continues to see that will probably be the case. He stated that when we see any kind of plant lay-offs and people lose their jobs, there will be a certain amount of people who go into an entrepreneurial type mode and will start a service connected job like lawn services, mowing and landscaping has been a big one over the past year or two. So you may see additional growth in the total number of business accounts but they will be very small business accounts. We're not seeing the kind of growth we would have seen 5-8 years ago. He explained that the other piece of this is registered motor vehicles. In registering motor vehicles they are starting to see that people are not buying new cars as rapidly or as frequently as they used to buy new cars. So the cars that we have on record are gaining another year of depreciation. In the past we would have seen some growth in new car purchases and older cars being traded in and taken off our records, that is simply not taking place now. In addition, starting with the September renewals in 2008, those vehicles were valued as of their value on January 1, 2009. They saw about a 22-28% reduction in certain types of vehicles, specifically large SUVs and large pick-up trucks. Combine all this together and you end up with a significant reduction that we are projecting for FY 2009-2010 in the registered motor vehicle component to the total tax base. Mr. Duncan stated that the last piece, that we have very little knowledge of until they tell us what the numbers are, comes from the NC Department of Revenue and that has to do with the Public Utilities or Public Service Companies. Last year, for example, Stan stated they projected on a \$200,000,000 contribution there and it actually came out to \$198,000,000. In all of these except for real property, in the coming year, he will be making projections and has been making projections that he has shared with the Manager and Chairman to some degree, that are less in everything except for real property. He stated we've had a little bit of growth in real property but not sufficient to overcome necessarily the losses in personal property. Registered motor

vehicles is really the big one. Stan Duncan stated, for all intensive purposes, we are essentially flat, we're maybe \$100,000,000 to the good but we are essentially flat for 2009-2010.

Steve Wyatt said that judging projections is as much an art as a science. We're absolutely concerned about the bottom line but we need to work as hard as we can to make sure that everything is accurate to get down to the bottom line. He stated we are now back where we started:

FY 2007-2008 Budget Performance
Total General Fund Budget

	Revised Budget	Actual	Variance	% Variance
Revenues	\$115,053,276	\$115,984,928	\$931,652	+0.81%
Expenditures	<u>\$115,053,276</u>	<u>\$108,697,973</u>	<u>\$6,355,303</u>	<u>+5.5</u>
Variance	\$0	\$7,286,955	\$7,286,955	+6.33%

Mr. Wyatt reminded the Board of our big ticket items which make up a substantial chunk of our budget; Medicaid and school debt service. He raised caution that these are one-time occurrences. Something like that could happen again but they are unlikely. He feels our timing is excellent to have been able to build up some of that cushion.

Fund Balance Available (based on current year budget)

Unreserved General Fund Balance = \$21,872,379 (18.7%)

12% Board of Commissioners Fund = \$14,050,098 (12%)

Steve Wyatt stated these figures are based on audited numbers. We have improved our cash position.

Chairman Moyer felt that the Board should discuss whether the 12% policy is still appropriate. He has been amazed at talking with other counties that the majority of them think we are on the very low side. A number of them have told him they use 15% as a bare minimum in these economic times. He hasn't found anyone who is at the level we are that aren't in trouble. He's hearing a lot of 20%'. Maybe we need to adjust ours. He also stated that we still have hanging over us what the state is going to do to balance their budget.

Steve Wyatt stated that Transylvania County currently has 20% and they are getting ready to draw on some of that money. He suggested that Carey McLelland research and get the Board more information on this issue.

FY 2008-2009 Mid-Year Financial Report

Steve Wyatt then began review of the mid-year finances for FY 2008-2009. Where are we now? He said he would review expenditures and revenues and would pay special attention to sales tax collections. Steve Wyatt stated that all county departments adopted budgets (effective July 1, 2008). Budgets are revised throughout the year. There are opportunities for grant funding. Sometimes we anticipate some grant funding and the grant funding doesn't come. He explained that the \$1.5 million in budget reduction was not across the board but they did affect the majority of the departments to some degree.

Steve Wyatt then reviewed unaudited expenditure numbers as of the end of the calendar year 2008, which is six months into our budget process, 50% of the year. Some expenditures fall more heavily or lighter at different times of the year but as a basic guide you want those numbers to be less than 50% now, halfway into the year. He visited some of the numbers that were over 50% at this time, the first one being for Dues & Non-Profits. He stated that the 62.7% represents three quarterly payments as opposed to two. Steve Wyatt explained that we look at each county department as a small business operation. Department heads have to think about things like cash flow and management of their department. Overall expenditures to date are at 44.1%. Carey McLelland looks at this every month and department heads receive a detailed monthly report. He asked Carey McLelland to review some of the bigger numbers.

Carey McLelland stated that the \$592,300 revision to the Sheriff's Department budget was mainly because we had borrowed \$550,000 earlier in the fiscal year to do an expansion to our E-911 Communications Center. That gets budgeted in the Sheriff's Department and there are loan proceeds to offset it on the revenue side. That is a large one-time expenditure.

Economic Development - \$331,250 revision – Carey McLelland explained that we received a \$300,000 grant for the agricultural ADFP Trust Fund Grant for the apple wedge project. That is one-time grant money as well as the \$31,000 final payment to Elkamet for their NC 1 Fund payment.

Health Fund – Carey McLelland explained that we received a new \$380,000 Childhood Obesity Program Grant. This is also a one-time funding.

Recreation – There was a management decision to move parks and maintenance folks from Central Services over to Recreation. That was a Board approved budget amendment.

General Fund Total – we have expended 46.4% of our budget for half the year.

Mr. Wyatt then addressed FY 2008-2009 Revenues. He stated that revenues are difficult to project, some are not in our control. Much of it depends on when people pay their taxes. We are currently at 78.8% of paid property taxes. Total General Fund Revenues = 57.5% for half the year. We are only slightly ahead of budget. Steve Wyatt said the bad news is we did see an actual dip. If you look just at October, there was a dip when you take out the adjustment. He stated we are still concerned about sales tax.

Permits & Fees – Carey McLelland stated that category includes inspection fees and recording fees in our Register of Deeds Office which are way off at this point in time, somewhere in the 20-25% range.

Sales & Services – Carey McLelland stated this category includes planning enforcement and environmental health, sanitation fees.

Steve stressed that no fund balance has been appropriated and our goal is to not have to spend it. He does feel that we are about on target in revenues. There are concerns about October, November, and December going forward – sales tax revenues.

Steve reviewed a graph with the Board regarding FY 2008-2009 Sales Tax Revenues, with the bottom line being that we are at + \$507,178 or half a million dollars ahead halfway through the year. He cautioned the Board that it is not because sales have been good. It's because we reduced projections in the spring. We will get November's sales tax figures mid-month February.

FY 2009-2010 Financial Projections

Steve Wyatt stated that it gets hard when talking projections. There is no question this is an art.

FY 2009-2010 Revenue Assumptions

Steve Wyatt reviewed the Revenue Projection Assumptions:

- No increase in property tax rate
- Overall property tax base growth less than 1%
- Flat sales tax projections and loss of final ¼ cent Article 44 sales tax due to Medicaid Swap
- No incorporations
- No fund balance appropriated

FY 2009-2010 Projected Revenues

Revenues are projected based on the above assumptions.

Revenue Source

• Ad Valorem Taxes – Current Year	\$58,123,758 (relatively level)
• Ad Valorem Taxes – Prior Year	\$1,470,000
• Local Option Sales Taxes	\$17,872,602 (a dip here)
• Other Taxes and Licenses	\$1,132,550
• Unrestricted Intergovernmental	\$62,000
• Restricted Intergovernmental	\$20,771,863
• Permits and Fees	\$1,291,500
• Sales and Services	\$7,539,161
• Investment Earnings	\$900,000
• Other Revenues (Includes Fire Dept. Agreement)	\$2,253,527
• Transfers from Other Funds	\$410,000
• Fund Balance Appropriated	\$0
TOTAL GENERAL FUND REVENUES	\$111,826,961
Difference FY 2008-2009 to FY 2009-2010	\$5,706,018

That's a big difference between current revenues and projected revenues, \$5,706,018.

Stan Duncan explained that the General Assembly enacted some major changes that involve tax relief for our elderly and for our veterans. One is an expansion of an existing program – we actually increased the amount of tax value that we took out of the tax base by about 30% last year from what it had been in the previous year. He stated that we do not have a good feel for how much additional will be taken out with that expansion for this year but he expects it to be somewhere in the neighborhood of about another 10% to be taken out from that part of the base. That particular program involves local homes for personal property as well as single family residences for someone who's 65 years of age or older and makes less than \$25,600 in calendar year 2008 from all sources, then they qualify for 50% reduction in their assessed value on just the homesite, the home itself and any kind of related residential improvement so it's a pretty big program.

Stan Duncan explained that the second piece is something you may have read about or heard about called a circuit breaker. That has to do with limiting a person's property tax bill to a percentage of their actual income for the previous calendar year. The first threshold is a \$25,600 ceiling for income and someone may elect to limit their tax bill which would be a combination of the county GO1 rate, any fire district rate, or the county rate and a municipal rate. We would limit that total tax bill to 4% of that total income figure. If they make up to 150% of that \$25,600, then they can limit it to 5%. He doesn't think there will be a lot of people who will want to pursue this. For the most part, you'd have to have a very high valued residence and be in a high valued tax rate district. He thinks for most of our citizens the better option and most benefit is going to be realized by staying with the expanded elderly/disabled program.

Stan Duncan thinks that if you qualify for the circuit breaker, there is a deferred lien placed on that property for the amount of tax above the 4% or above the 5% and most of our citizens have expressed they don't like having a lien lay out there for a number of years on their property for property tax purposes. They like to take care of it on an annual basis.

Stan Duncan explained that the other expansion program has to do with veterans and if you are a permanently disabled veteran as result of a service connected disability, then you can qualify for the first \$45,000 to be taken off the value of that home. The big part of this is it is the only program that is portable to the spouse so if the spouse of a veteran is still unmarried then this benefit is portable to that spouse as well. Mike Murdock had indicated to Mr. Duncan that there is where the larger number of applicant pool will come from, will be those spouses. They have looked at the revenue law subcommittee as a way to try to correlate income to value of residences but have found no data base anywhere in the country that allows them to do that so they will simply monitor it this first year. They are building some estimates into the numbers that he has shared with the County Manager earlier. He feels he is taking a high number off the tax base to make sure that we don't get caught short on that part.

Chairman Moyer felt it important to stress to folks that these are state programs and state regulations. They require specific forms and we have to follow their rules when we implement the program.

Stan Duncan explained that his folks have come up with a brochure that they are happy to send out to anyone who calls their office. They have been on the radio stations and they have been fortunate enough to get an article in the local newspaper about the tax relief programs. They want people to know about them. It is not a guarantee that if they call and make application that they will get it, but staff will certainly work with them to try to make sure the information is accurate and they know what their responsibilities are.

FY 2009-2010 Expenditure Assumptions

Steve Wyatt stated that with \$5.7 million reduction in revenues there is a daunting challenge in tax. So how do you get the budget to balance up going forward.

Steve Wyatt reviewed the FY 2009-2010 expenditure assumptions:

- County government overall operating budget reduced by \$2,060,080
- Education operating budgets maintained at current level
- No growth percentage projected for Mental Health Maintenance of Effort funding, or grant funded programs
- No new capital projects requiring debt service
- No obligation to fund Medicaid in FY 2009-2010
- One time NC Agricultural and Farmland Trust Fund Grant excluded in FY 2009-2010
- Flat fuel costs (gas and diesel)

FY 2009-2010 Projected Expenditures

Steve Wyatt reviewed the FY 2009-2010 Projected Expenditures, based on the above assumptions.

	Current Obligations:
County	\$79,177,467
HC Public School System	
• Current Expense	\$20,205,922
• Capital Expense	\$2,255,339
• Debt Service	<u>\$9,111,197</u>
	Total= \$31,572,458
Blue Ridge Community Service	
• Operational Expense	\$2,314,409
• Capital Expense	\$90,724
• Debt Service	<u>\$1,498,977</u>
	Total= \$3,904,110
	TOTAL GENERAL FUND = \$114,654,035
Projected Current Obligations for FY 2010	
General Fund Expenditures	\$114,654,035
Projected Revenues	\$111,826,961
Variance	(\$2,827,074)

Steve Wyatt explained:

- Based on a tax base valuation of \$12,970,000,000 in FY 2010, 1 TRE = \$1,258,090
- Based on tax base estimate provided 12/17/2008
- \$2,437,195 is currently held in the Capital Reserve Fund

To fund projected current obligations:		
Fund Balance = (above the 12% BOC Policy)	16.3% currently	\$7,822,281
Needed to fund FY 2009-2010 Current Obligations =		\$2,827,074

There was some Board discussion regarding the increase in Public Health services and DSS services due to the economic climate and less services needed in Planning and Inspections. There may be a need to adjust upward for the departments who need to provide additional services and potentially make cuts in the areas where the demand for those services are down.

Steve Wyatt stated that there is a desire to maintain service levels as much as possible but as times change, that may not be possible. There may have to be longer waits for county services. In some of those areas that can be a discomfort, in some other areas it could be very serious. The Board and staff had a very good discussion in October and November about public safety and the need to preserve public safety, those life safety type issues in law enforcement, EMS, even protective services for children and older adults. Those are life safety issues. Unfortunately mental health must be added as a life safety issue. Steve Wyatt stated that mental health demands in the eight county region are up 41% over this point in time last year (as of the end of December). That demand is a challenge with Western Highlands and we had a consensus to go into the fund balance of Western Highlands to make sure that service levels are maintained, even with a 41% increase in demand. He stated they would absolutely exhaust all of those avenues before coming back to the eight counties (that’s their strategy). They would look at cuts in anything else in the mental health arena other than direct services to clients. That would be absolutely the last resort. They have no plan to do that. They would do everything they can but the mental health system in North Carolina is a mess.

Commissioner McGrady asked that Carey pull up information and share with the Board regarding fund balance percentages and actual numbers that other counties are using. Everyone (other counties too) is fearful of what the sales tax might be and, if this economic situation continues the way it is, what the service demand might be on particularly the social services side. Before he is ready to make a firm decision regarding the next budget, those are numbers he would be interest in. He doesn’t see the need to mess with the fund balance policy at this time because he doesn’t think the citizens want the Board serving as their bank. He stated on the other hand, if our fund balance is high, we can’t just spend it down on things that will create continuing obligations for us.

LUNCH BREAK

Chairman Moyer called a 1 hour break for the Commissioners and staff to have lunch in the Community Room.

Board of Commissioners’ FY 2009-2010 Priority Setting

Chairman Moyer thanked staff for the wealth of valuable information they had provided to the Board. He stated the Board should now build on that, seeing what additional information is needed and what additional direction the Board needs to give to staff.

Chairman Moyer stated that the capital projects may have an impact on the Federal Stimulus Program. He wished to begin with a discussion of the Capital Projects:

Schools: Classroom Additions/Bus Garage

Chairman Moyer stated that with respect to the Schools and their capital projects, he thinks that the Joint Facilities Committee (Larry and Bill sit on that Committee representing the Board) should meet as quickly as they can and see what they have in mind so that information can be incorporated into this for discussion with this Board. As we get into budget deliberations, the Board can decide when they are ready to talk to the full School Board or how to handle this.

Detention Center Expansion

Chairman Moyer stated that with respect to the Detention Center expansion, we should hear from Sheriff Davis. He asked Sheriff Davis to address the Board and explain his needs regarding this.

Sheriff Davis stated the expansion for the Detention Center was in the long-range goals as part of the County Manager's long-term look at the way we were seeing things. He explained that a little over two years ago those numbers were all trending upward, as far as detainees in the detention center. Sheriff Davis explained that when he took office that number was approximately 190 and would sometimes go up to approximately 200. Since that time, we have been able to sustain that rate at a significantly lower number. Right now we are averaging about 150, including our ICE detainees, and detainees from other counties that we hold as a courtesy to them (we bill them for that). Sheriff Davis said the numbers are down because we've had a really good relationship with the Clerk of Court as far as getting first appearances and getting people out of there much faster, which has helped tremendously. Sheriff Davis stated that they also very aggressively looking at people for their time served and trying to get them out into the state or federal level just as fast as they can. Sheriff Davis stated that he wanted to make sure they had some sustainable data before they thought about dropping this or actively thought about studying it more. He stated that there is no reason to believe that we can't say 150 is about our mark. He said there is no reason to believe that is going to go up significantly higher or significantly lower. He did want to get that data "under our belt" because after all the first few years after opening the detention center the numbers were skyrocketing. Sheriff Davis stated that number (150) seems to be holding fast. He is optimistic that they will be able to sustain that. Bottom line is that the detention center expansion is not as high a priority. Sheriff Davis stated this is very encouraging to law enforcement staff.

Chairman Moyer stated that it looks like this might be one of those projects that won't get a date assigned to it at this time, but will stay on the Board's radar.

Sheriff Davis added that currently they see a bottleneck in their booking area. That bottleneck translates to deputies, troopers, police officers not being able to get back out on the street as quickly as what we would like. He feels that with the ICE money that they are now generating, they would do a very small expansion enclosing part of a week-end section that opens directly to the outside (seems to be a design flaw) and could literally have that capacity of 32 more beds immediately and at a substantially lower rate. It would help get officers back on the street and would additionally enclose that area so that it wasn't a security risk. He stated that is a minor project, maybe \$1 million to \$1.5 million.

Chairman Moyer suggested Sheriff Davis write that up and submit it as part of the budget process.

Law Enforcement Center

Sheriff Davis stated that the Sheriff's department is bursting at the seams now, above capacity. There have been some changes to some state and federal laws so that they now have to hold onto evidence much longer and they have no option, they have to have a secured facility to put those items in. There are more and more items that they are having to hold onto. He doesn't see how they can keep sustaining this without going into some other type of facility just for storage capacity alone. For instance, he just reassigned when they did some reduction in force recently – he reassigned one position to the criminal investigations. There is a higher workload there now because of the economy. There is no place currently to put that person. As far as a timeframe – he can't imagine how we can get another facility (third facility) and keep it secured for evidence. His timeframe would be sooner rather than later because he feels this is really starting to hinder operations. They are having to "rob Peter to pay Paul" constantly. Sheriff Davis thinks it would be prudent at some point that this be addressed. He constantly has projects that are maintenance type items that are going wrong in major ways. He hates to see us keep putting money into maintenance issues if we know something is on the horizon. "The next thing that we'll have to do is a major expansion down at our evidence impound building. If that area is going to be used at some point for an expansion onto the courthouse or an expansion for whatever, I would hate to see us sink money into that only to have it torn down later. So, some type of direction on a timeframe would be very helpful to us in order for us to save money long-term."

When questioned about a timeframe by a Commissioner, Sheriff Davis replied that at the current rate that they are storing and holding evidence alone, he doesn't see how they can sustain five years, not without some type of an additional facility. "Five years from now would be an outside number."

Chairman Moyer felt that the issues needed split, stating that they had talked about the evidence storage and the Board knows that is an issue to deal with. You can't say that to solve that problem we have to have a law enforcement center. "We can solve that problem with a metal building and some other issues."

Commissioner McGrady questioned how much is it going to cost us to maintain the spaces that law enforcement are currently in that are clearly inadequate. He is just trying to get a timeframe for the capital project. His impression is that 5-6 years from now we need the building built and if that is the case then we need to get this project online to begin the planning process next year or certainly the year after.

Chairman Moyer reminded the Board that there are other possibilities out there, other than building a new facility for law enforcement. Discussions were halted due to the economic times we are in.

Commissioner Young felt that the Board needs to sit and have a thorough discussion on capital projects and property that we need to sell. We have the assessor and the collector in the courthouse that need to be in other places so that room can be expanded in the courthouse for other court functions. He thinks the Board needs to have a special called meeting and look at capital projects, where we want to go, and what we've got available, what we're going to do with excess properties we have and how we're going to restructure it all the way through. He feels that until the Board addressed all this, they will not know where they are going.

Sheriff Davis said "In 1992 there was a Captain that presented to then Sheriff Jackson, plans for a law enforcement center and Sheriff Jackson, who never said anything about wanting anything – I remember very vividly him putting his hands on his suit and saying this was needed twenty years ago. So you can well imagine where we're at now."

Chairman Moyer also suggested to Sheriff Davis that he do a write up on the evidence issue for budget consideration.

New Fletcher Library/Main Library Upgrade

Chairman Moyer asked Bill Snyder, Public Library Director, to update the Board on these issues.

Bill Snyder explained that for a number of years, at least ten, the libraries' highest priority for facilities improvements has been the Fletcher Library. Fletcher Library is over 20 years old now. It is not the property of Henderson County, it belongs to the Community Foundation. The funding for that project came from the community before the Town of Fletcher was even formed. The library was barely adequate the day it was finished. He explained that they are in a situation, and have been, for a number of years where every time they buy a book they have to take away a book. They are simply at capacity, over capacity when you look at the numbers of people coming into the facility and the use made of it. It is approaching a third of the annual use of the main library. It is a very busy facility and is in the area of the county that clearly is the fastest growing area of the county. The number of people in Commissioner Messer's district is growing very rapidly. Bill Snyder said it seemed like the use of that facility is growing about 10% per year. They are in a situation where they have a facility that is clearly inadequate and it is becoming a facility that is a maintenance nightmare. Bill Snyder stated that it also is a high priority item for the Town of Fletcher. They are working on a new Town Center area. Bill Snyder has met with the Town Manager, the Mayor, the Town Planner, all in the last six months. Obviously they want to move ahead very quickly with this project. Bill stated that he realizes it is not a good time to be bringing something like this to the Board. As funding becomes available, he thinks this is the highest priority they've had for some time and thinks it should be addressed rather quickly. Bill Snyder stated it is probably a 15,000 square foot facility on a site with design features built in to allow it to expand to over 20,000, to 25,000 square feet within ten years of the time that it's finished. He thinks that kind of growth needs to be planned, especially in that community. It is probably in the neighborhood of \$3,000,000. The Town is working with a developer and there are lots of options the

developer wants to bring to this Board but he doesn't think we're at a point to talk about anything there right now. He stated this is the highest priority that the Library Administration and the Library Board have had for a number of years.

Chairman Moyer stated that for a number of years this project has been pushed but the Town of Fletcher wasn't ready to go with it. They didn't have land to set aside for it. From his understanding the Town is still not ready to move on this.

Bill Snyder stated that the Town of Fletcher promised us a number of years ago that they would provide property (Bill Moyer stated "many years ago") and the Town, within the last calendar year, did meet with the Library Board and said that even if the Town is not ready to proceed with the project, they have the land and will make it available and anytime the Library wants to proceed with this they (the Town) are ready. Bill Snyder said he didn't think we could keep waiting for the Town of Fletcher. That's why the Library Board basically put the Town of Fletcher on notice – if you can't be ready to go within the next year don't be surprised if we go without you. That's when the Town said we have property and we'll make it available to you with good access out onto US #25, if we can't do it within the next year (this was last Spring) if the County wants to proceed we'll work with you on that.

Bill Snyder stated that the Main Library is coming up on 20 years old and they have issues, with any facility that is being used that heavily over a 20 year period. He said the main issue is electrical. The lighting system was not terribly good when it was installed and it has deteriorated over the years. They are in a situation where the lighting fixtures are getting so archaic that they can't replace parts any longer. In the next 2-5 years he thinks a plan needs compiled to update the building and keep it usable for the next 20 years. He didn't have a good budget number on that because architects and engineers would need to be brought in. He certainly feels it would fall within the \$1 million to \$2 million range.

Commissioner McGrady raised the issue of the Green River/Tuxedo Library, stating that the Board had in the budget four years ago about a half million set aside for the Library and/or Park facility. He asked Bill Snyder's view on that. Bill Snyder stated that it is not the Library's highest priority. It is on their radar. The issue they face in that community is lack of a good plan. Bill Snyder said they simply do not know which way the community wants to go there. When you look at the usage of the library it's not growing like the other libraries are. Bill Snyder stated that if the citizens of that area can come together and come up with a good plan, a good definition for the Library Board as to what they want in a library, the Library Board would be in a better position to move forward. He stated until they have that, it is something they know they need to do but it certainly isn't their highest priority.

Chairman Moyer said that covers the items on the capital projects list previously but he opened it up for other projects.

Firing Range/Shooting Range

Chairman Moyer stated there had been some discussion of a firing/shooting range at the Justice Academy in Edneyville, particularly on the state level. Commissioner Messer and Chairman Moyer met with Peggy Shaeffer and the other people from the State and the Justice Academy and citizens with respect to the firing range. Many issues have been discussed: safety, noise, etc. have been raised by the citizens in the Edneyville community. The purpose of the meeting was to talk about other alternatives to an outdoor range with the problems listed above. The state and the justice academy seemed committed to moving ahead with a range at that site. He felt that everyone agrees that is the right thing to do. We need the range for law enforcement. Fewer and fewer ranges are available and our people are having to drive further distances. He stated that where we clearly disagree is whether you can put an outdoor range on that site with fairness to the citizens of that community. He and Commissioner Messer expressed those views to the State as did some of the local citizens. Basically the State took the position that they were very concerned about losing the \$1.9 million of funding in the budget. They have already spent a lot of money on designs and plans, they are prepared to move forward with the project in spite of the concerns raised. They were asked to consider other alternatives and there was a lot of discussion of what it would cost to have an enclosed or indoor range. There figures

seemed extremely high (\$4 million to \$5 million) and they wanted a very large range, 24 aisles or lanes. When we got to other alternatives about the only one they offered was that if Henderson County would agree to pay the additional capital cost associated with it then they would consider having an enclosed or indoor range. He said he and Charlie strongly took the position that if they build a 24 lane firing range that it will not only serve Henderson County but probably all the western part of the state and it's their responsibility to provide that kind of facility and pay for it and certainly it would not be fair to give that whole tab to Henderson County if it's going to serve all of WNC. Chairman Moyer said he could envision it serving the state troopers and others and even beyond WNC. The state said that unless we come up with some additional funding by February that they were moving ahead with their project. An issue was raised about surrounding counties wanting to locate another site or collectively coming up with the additional money to have an indoor range. That information has been shared with the State. There was no commitment to the amount of money.

Chairman Moyer said this project could be submitted under the Federal Stimulus Package. Heath Shuler's office has met with Commissioner Messer on one occasion and has talked with some of the parties. Apparently there is going to be some money ear-marked in this Federal Stimulus Package clearly for law enforcement.

Commissioner Messer stated that Henderson County, Buncombe County and all the folks in this part of the state – the ones who have to qualify once a year, they don't have a place to qualify. He mentioned a second problem – a sniper/long-range rifle range. He stated that an indoor facility would probably just do pistol/shotguns. He stated that if the state continues to move rapidly we'll just have to let the cards fall where they will. He would like to have something that would work for the whole region.

Commissioner Williams stated that ultimately the state is going to do what the state is going to do and we are left to pick up the pieces. If we can't move forward by February which is an unrealistic timeframe, from all indicators he has heard, the State is going to press forward and will build the outdoor range and then we'll be put in a position to where we either find the money to enclose it or it remains an outdoor range. He feels that we've been "painted into a corner." We weren't asked much on the front side, plans were made and then we were told this is going to happen. There has been very little that any of us have been able to do about it for close to a year now. Commissioner Williams agrees with the approach that is being taken right now and the efforts that are being made to try to get some of our neighboring counties involved and look at moving forward with changing things around to make it more safe for the community, the safety factor and the noise issue.

Chairman Moyer stated that where we're headed is another special meeting with one of the issues being overall capital projects. He stated that the Sheriff needs to supply information on the detention center, evidence storage, and law enforcement center. He thinks the Board should talk with the school system and tell them we want a joint facilities meeting as quickly as possible to get that information so it's ready for the special meeting. He asked the Board what additional projects they would like staff to take a look at, if any, before that meeting.

- Shooting/Firing range
- School and Blue Ridge Community College Projects
- Recreation Facilities needs
- Bus Repair/Depot/Solid Waste/Recycling
- Look at the sale of excess property: water dept., old health bldg., chamber building, Sheriff office on Main Street
- Green River/Tuxedo Library/Park
- Courthouse overcrowding – Old health dept. building

Chairman Moyer stated that when we have that special meeting, we're starting off with an assumption – no new capital projects requiring debt service in the coming year. That will be our starting point. If we adopt that and move forward, then we're talking about starting in year #2 to take a look at how much debt service

we've paid off and how much will be becoming available, take a look at these projects and see if we can match and have enough information on the projects and enough information on how much money will be available to see if we can come up with a schedule.

Chairman Moyer asked Carey McLelland to work up a refinancing plan before this special meeting. He thinks that we can free up some money by refinancing some of our debt at the current interest rates.

COST ALLOCATION

Chairman Moyer feels very strongly that we should prepare our budget this year using the departmental cost allocation method. Other Commissioners were in agreement. Commissioner Williams used the term Enterprise Accounting. If each county department is run like a small business, then you have to know the cost of running that business.

Chairman Moyer stated that we want to come up with a budget that is as transparent to the public and as understandable to the public as possible.

FY 2009-2010 EXPENDITURE ASSUMPTIONS

Chairman Moyer felt that one of the very significant ones was that there would be Education operating budgets and Blue Ridge Community College operating budgets maintained at their current levels. He asked how we would send that message to these two Boards. Do we wait until we get their budgets? Do we talk to them about this assumption? Do we meet with them and talk to them or do we have Steve talk to Stephen and David? Do we want to send this message to them at this time? Obviously it is a public message now. We have said one of our assumptions, at least staff so far, that they will be maintained at their current levels.

Chairman Moyer asked how do we move forward working with the School Board and the Blue Ridge Community College Board with that as one of our assumptions?

Commissioner Messer stated that we have a new State Governor and we have a \$3 billion deficit sitting there. He said they've already cut the schools and now they've cut the colleges. Commissioner Messer said the information is already out there but we need to wait a while and leave this window open. We don't know what the State is going to do, or the Federal Government. Regardless of what we plan, if the State didn't plan that way and have put the burden back on us, then we're in a mess. Who's to say, in April that we won't have to come up with another half million dollars for the schools or college, it's very possible if we keep the same level of service at the schools and the Blue Ridge College as we have now.

Commissioner Young agreed but stated that we likely could not offset what the State would take away. We already cut the county budget and county services this year by \$1.5 million. We didn't ask the School System or the College either one to cut their budgets that much. If they stay at the same level they are now, then they've really already got an increase in their budget.

Commissioner Williams stated that they haven't gotten an increase. We're talking here about the State putting pressure back on the counties. He doesn't think that we need to be there trying to fill that void. If we keep the operational side about where it is, that is an advantage that the school has over where we're going with local government in general. We are looking at about a \$2 million reduction with county government with the schools staying at the same level. They essentially are getting a little bigger piece of that pie from the local level. He would be more open to funding some of the capital type expenses that they may have rather than adding to the operational side of things.

Commissioner McGrady felt we should tell the schools and the college that this is what we're working from as the assumptions we're making going forward and plan to put your budget together with the same set of assumptions that we're making. If you have critical needs, whatever type, put together that list and communicate it. He can't see us filling in what the State is cutting back on. "We've had teachers coming to us wanting additional supplement and I'm sitting here – we're laying off people on the one hand and you're

asking us to put more money in a supplement, you've got to be crazy. How tone deaf are you?" I'm not going to go there. I'd just say to the schools, make the same assumption that we are making here.

The consensus of the Board was to allow some flexibility in the schools budget for maintenance issues rather than for operations. These sorts of things will come out during a Joint Facilities Meeting.

Chairman Moyer summarized that he be authorized to send a letter to both the Community College and the School System explaining the assumptions we are going on. "We will be anxious to receive your budget but these are the assumptions we're looking at so far and we want you to identify your budget and these are the guidelines we've set up for us to look at so far."

FUND BALANCE

Chairman Moyer explained that we've improved our fund balance. There is a willingness to want to consider this but there is also some concern – we don't want to become a bank sitting on monies. But it seems that everyone is interested in Carey and Steve coming up with some information as to where are the other counties, what is their fund balance, both percentage wise and dollar amount. The Board will then take a look at those figures and discuss our fund balance and policy.

Commissioner Williams talked briefly about using some of our fund balance for debt reduction. He stated that the note on the Detention Center currently runs about \$4.5 million. It also is the debt service with the highest interest rate which is 4.9%. He proposed taking fund balance and liquidating that debt entirely, pay off the \$4.5 million of that particular note. The benefit from that is you are taking one-time money and essentially matching it to a one-time use. The benefit also from doing that would be that you eliminate, that particular note alone has annual debt servicing of over \$700,000 so not only do you get that debt out of the way you also free up the \$700,000 in debt servicing. He would propose taking some of those funds and leaving some available for education for the schools and the college, particularly capital items rather than operational. That would enable us to still stay at the 12% reserve level, it would reduce our debt, put us perhaps in a better position going forward increasing our borrowing power a little more for going ahead whenever times are hopefully a little more certain. He distributed a hand-out to the Board only for consideration.

Fuel Costs – Chairman Moyer wasn't sure that flat fuel costs was the right way to budget. He was not prepared to accept that assumption at this time.

CNG – Compressed Natural Gas

There was some discussion that we need to move fast on locating a property and moving forward with a CNG fuel station. The closest one is in Arden/Fletcher area. Steve Wyatt explained that the figure for a fueling station is approx. \$300,000. The Board has capital reserve money. We're not at the point yet of being able to quantify exactly what the applications would be. We are looking at our current fueling station site. Staff hopes to have some more information to the Board about this issue by the end of February or the first of March.

ADJOURN

Commissioner McGrady made the motion to adjourn the meeting, at 1:55 p.m. All voted in favor and the motion carried.

Attest: