

DRAFT MINUTES

**STATE OF NORTH CAROLINA
COUNTY OF HENDERSON**

**BOARD OF COMMISSIONERS
JANUARY 25, 2011**

The Henderson County Board of Commissioners met for a special called meeting (budget workshop) at 9:00 a.m. in the Commissioners' Meeting Room of the Historic Courthouse on Main Street, Hendersonville.

Those present were: Chairman Mike Edney, Vice-Chairman Tommy Thompson, Commissioner Larry Young, Commissioner Bill O'Connor, Commissioner Charlie Messer, County Manager Steve Wyatt, Assistant County Manager Selena Coffey, Clerk to the Board Teresa L. Wilson and Attorney Russ Burrell.

Also present were: Associate County Attorney Sarah Zambon, Public Information Officer Christy DeStefano, Finance Director J. Carey McLelland, County Engineer Marcus Jones, Planning Director Anthony Starr, Elections Director Beverly Cunningham, Library Director Bill Snyder, Animal Services Director Brad Rayfield, Auditor Darlene Burgess, HR Director Jan Prichard, Soil & Water Conservation District Director Jonathan Wallin, IT Director Becky Snyder, Registrar Nedra Moles, Captain Greg Cochran, Sheriff Rick Davis, Fire Marshal Rocky Hyder, Tax Assessor/Collector Stan Duncan, Recreation Director Tim Hopkin, Code Enforcement Director Toby Linville, Building Services Director Tom Stauffer, Environmental Health Supervisor Seth Swift, Research/Budget Analyst Amy Brantley, Lieutenant Vanessa Gilbert, Community Social Services Program Administrator II Penny Summey, Construction Manager David Berry, Travel and Tourism Director Melody Heltman, and Engineering Administrative Assistant Megan Piner.

CALL TO ORDER/WELCOME

Chairman Edney called the meeting to order and welcomed all in attendance. He noted that the purpose of the meeting is a budget planning workshop.

County Manager Steve Wyatt provided a brief overview of the agenda and made introductions.

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

Bryan Starnes (bstarnes@martinstarnes.com) provided background information for Martin Starnes & Associates.

- Formed in 1987
- Offices in Taylorsville and Hickory
- Total staff of 45
- Over 60 other municipalities and authorities
- Largest government practice in NC based on 2009 contract information from LGC (Local Government Commission).

The Role of the Independent Auditor

- They work for the County Commissioners.
- They work with the County Staff.
- The Audit contract is a three-party contract with their firm, the County, and the Local Government Commission.
- They define the concept of "independence."
- Staff rotation and long-term relationships are a benefit to the County.

DATE APPROVED:

The objective of the audit is to issue an opinion on the County's financial statements which in return gives the commission, creditors, and the taxpayers of Henderson County assurance that the information in the report can be relied upon to make decisions.

CURRENT AND EMERGING ISSUES IN WASHINGTON AND RALEIGH

Director of Government Relations Kevin Leonard of the North Carolina Association of County Commissioners (NCACC) stated the services of the NCACC are as follows:

Directs efforts of Government Relations Team

- Implements legislative goals
- Monitors legislative issues
- Works to enhance advocacy communications between Association members and North Carolina State Government, the North Carolina Congressional Delegation, and other governmental agencies
- Serves as staff liaison to Legislative Goals Committee, and Intergovernmental Relations and Justice & Public Safety steering committees

State Budget in Brief (S897)

- General Fund budget = \$18.9 billion
 - 2nd year of biennium
 - Normal budget = \$22 billion
 - 2nd year reduced by \$600 million
 - 3rd year of budget cuts
- 2nd year revenues reduced
 - Growth reduced from 3.3% to 2.7%
 - Historical = 6%
 - Sales tax reduced to 1.5%
 - Historical = 5%
 - Post-recessionary = 7-8%
 - County reductions 14% since 2008

Resulting County Impacts over Biennium

- 2009-10 state budget cuts exceed \$200 million
- ¼ billion in school capital dollars in biennium cuts
 - Loss of ADM, lottery
- Other cuts in criminal justice, health and human services, state grants

County Budget Woes

- NCACC Budget & Tax Survey documents continued budget cuts & tax increases
 - Only source of county budget snapshot
- 16 counties increase tax rate
 - Avg. of 3.3 cents
- 49 counties, of 97, cut budgets (again)

County Revenue Challenges

- 25 counties, of 97 counties reporting, see decreased property valuations
- 31 of 100 counties see assessed value above market value
 - Unprecedented in 20+ years of calculating market to av ratio
- 2009-10 sales taxes nearly 5% below 2008-09
 - 2008-09 10% off 2007-08
 - Seeing slight gains in 2010-11

County Personnel Cuts

- 45 counties report hiring freeze
- 44 counties cut positions
 - 1000+ fewer positions, on top of 2009-10 cuts of 1000
- 14 counties laid off existing employees

- 595 county workers lose jobs
- 7 counties implement mandatory furloughs
- Other actions include salary decreases, fewer paid holidays, decreased/stopped 401k

Fund Balance Challenges

- 50 counties rely on fund balance to help offset budget deficit
 - \$105 mil used
- 20 counties use fund balance to replace lottery funds
 - 62 counties report using some or all of lottery funds for school debt service

Ethics (H961)

New disclosure requirements (Sec. 17.(e)):

- Date & amount of each increase or decrease in salary
- Date & type of each promotion, demotion, transfer, suspension, separation or other change in position classification
- Date & general description of reasons for each promotion
- Date & type of each dismissal, suspension, or demotion for disciplinary reasons
 - If dismissal, a copy of written notice of county’s final decision of the county setting forth specific acts or omissions that are basis of dismissal

This means that each employee’s complete employment history (promotions, transfers, salary adjustments, disciplinary actions such as suspension or demotion, etc.) is a public record effective Oct. 2010.

- AG opinion declares legislation covers personnel records created prior to 10/1/10
 - Copy of written notice must be released, even though no name-clearing opportunity can cause “liberty” issues
- AG opinion declares legislation requires creation of public records
 - Written notice of reasons for dismissal where none existed before

Use of 911 Funds (H1691)

- Problem:
 - County 911 fund revenues limited to receipt of call equipment
 - State 911 board tilted to teleco providers
 - County emergency telephone reserves increase
- Solution
 - Expand use for dispatch within psap building
 - Reconfigure board to public/private equity
 - Allow 50% of reserves spent for any public safety need
- Directs state 911 board to set operating standards
 - Reserves to be used in part to meet standards
- Directs state 911 board to develop funding formula,
 - Workgroup devised 5 year rolling average based on actual costs
 - \$43 million needed v. \$63 million now distributed
 - Baseline allocation—psaps eligible for capital grants, additional funding if expenses exceed initial allocation

Retirement Issues

- Local Government Employees Retirement System loses \$4.79 billion or 27% of value in 2008
 - Similar losses in state system & General Assembly doesn’t fund required contributions
 - Employer rate increases from 4.8% of county payroll to 6.35% to 6.88% (projected)
 - 2011 represents a 32% increase or = \$36 million statewide for counties
 - Additional rate increases in future years are likely
 - Employee contribution of 6% stays same (for now)
- State Treasurer Cowell appoints “Future of Retirement” Commission
 - Provide adequate retirement income at a reasonable retirement age after a reasonable period of employment, manage risk, encourage employee behavior, fund through appropriate mix of employer/employee, determine if apply to vested employees

- Commission recommendations:
 - o Offer at employee option defined benefits or defined contribution; default to db
 - o Require age 55 to retire

PED DSS Study

- General Assembly management analyses staff—Program Evaluation Division directed to study county DSS
- Look at opportunities/barriers to consolidate DSS administrative functions

Survey all counties, visit selected counties

- May consider Wake/Meck model, health authority model
- We stress flexibility, simplification, automation
- Report to General Assembly 2/1/11

2010-11 State Budget Status

- State meeting revenue targets through December
 - o Growth in withholding & improvement in sales
 - Holiday retail up 6% yr to yr but still 13% below 2008
- Governor holds back 1% of agency appropriations in August; 2.5% in Dec.
 - o Directs agencies to freeze hiring, curtail purchase orders, limit travel

New Majority Announces Leadership

- Senate

Phil Berger, Rockingham – President Pro Tem

Harry Brown, Onslow – Majority Leader

Tom Apodaca, Henderson – Rules Chair

Richard Stevens, Wake, Pete Brunstetter, Forsyth, & Neal Hunt, Wake – Appropriations Chairs

Fletcher Hartsell, Cabarrus & Bob Rucho, Mecklenburg – Finance Chairs

- House

Thom Tillis, Mecklenburg, Speaker

Paul Stam, Wake, Majority Leader

Dale Folwell, Forsyth, Speaker Pro Tem

Harold Brubaker, Randolph, Jeff Barnhart, Cabarrus, Linda Johnson, Cabarrus, & Mitch Gillespie,

McDowell - Appropriations Chairs

Edgar Starnes, Caldwell, Mitchell Setzer, Catawba, & Julia Howard, Davie - Finance Chairs

New Majority Announces 100 Day Plan

- Balance state budget without raising taxes
- Make tax rates competitive with other states
- Exempt NC from federal healthcare act
- Keep right to work laws
- Reduce regulatory burdens on small businesses
- Fund education in the classrooms
- Eliminate cap on charter schools
- Require photo ID to vote
- Pass eminent domain constitutional amendment
- End pay to play politics

NCACC Legislative Goals

- Solicit goals in summer
- Steering committees examine & recommend in Sept.-Oct.
- Legislative goals committee recommends package to NCACC Board of Directors
- Board adopts & submits to county membership approval at Legislative Goals Conference in mid-winter

Top 5 Goals Adopted by NCACC Membership

- Oppose shift of state transportation responsibilities to counties

- Reinstatement Average Daily Membership funds (\$200M) & Lottery proceeds (\$63M) to the Public School Building Capital Fund
- Ensure adequate mental health funding
 - Adequate state-funded acute psych beds, oppose closure of existing beds, maintain existing MH community services funding
- Preserve the existing local revenue base
- Authorize local revenue options

County Legislative Hot Topics

2010

- State Budget
- Use of 911 Funds
- Ethics & Campaign Reform
- Public Records
- ABC System Modernization
- Water bills
- Animal Control
- Collective Bargaining

2011

- State Budget
- Broadband
- Annexation
- ABC System Modernization
- Transportation
- Public Records
- Moto-Tax
- Regulatory Reform

Process for 2011-12 State Budget

- 1st Year of Biennium
 - Spending authority ends June 30
- Governor proposes ► House starts leg. budget process & amends ► Senate amends ► House/Senate appoints conference committee
 - Governor requesting agencies to ID up to 15% in cuts
 - Anticipate budget mid, late Feb.
 - House & Senate vow to develop joint proposal

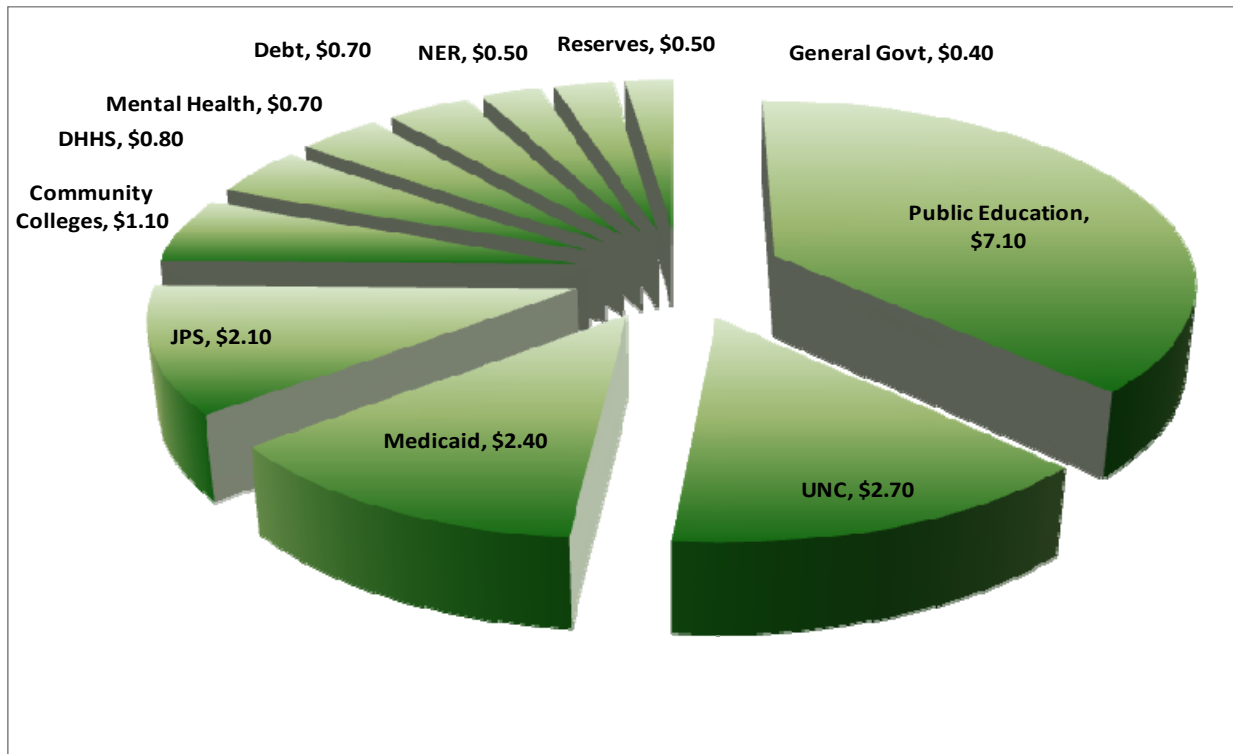
2011-12 State Budget

- Less revenue availability:
 - \$1.6 billion in stimulus funds
 - \$1.3 billion in 1% temporary sales tax & income tax surcharge
 - Other one-time items at \$200 million
- Additional spending pressures:
 - Medicaid
 - School enrollment
 - Employee benefits—health & retirement

Revenue availability 2010-11	\$19.0 B
1 cent sales tax expiring	\$1.1 B
Personal/corporate income tax surcharge expiring	\$0.2 B
Other 1-time availability	\$0.2 B

Revenue growth estimate	\$0.7 B
Revenue availability 2011-12	\$18.2 B
2010-11 budget	\$19.0 B
ARRA expiring	\$1.6 B
Other 1-time adjustments	\$0.4 B
Retirement contribution	\$0.3 B
Health plan contribution	\$0.2 B
Enrollment growth	\$0.2 B
Medicaid	\$0.2 B
2011-12 budget	\$21.9 B
Revenue availability	\$18.2 B
Budget demands	\$21.9 B
Projected deficit	\$3.7 B

2010-11 State Budget - Where to Cut \$3.7 Billion?



Department Suggestions

- DHHS
 - Shift \$2 - \$26 M in LME administration to counties
 - Cut \$21 - \$41 M in state mental health funding

- Cut \$9 M in aging services
- Cut \$9 - \$28 M in Smart Start
- Eliminate school nurse funding
- Reduce county administrative funding for day care, CPS, state aid to counties

DENR

- Increase food and lodging fees
- Close Rendezvous Mtn., Mt. Jefferson, Singletary Lake, Turnbull Creek
- Close parks Tues. – Thurs.
- Reduce ag. cost share program
- Reduce water quality monitoring & services
- Corrections
 - Eliminate misdemeanants' admissions to prisons
 - o Shift to county jails?
 - Eliminate work & litter crews
- AoC
 - Implement new fee structure

Fiscal Research Suggestions

- Public Education
 - Adjust class sizes
 - Eliminate optional spending—salary supplements & capital (lottery?)
 - Review non-instructional staff (teacher assts?)
- Medicaid
 - Eliminate or reduce optional services—drugs, dental, nursing facilities, non-DR services
 - Reduce payments
- Corrections
 - Reform sentencing & probation—misdemeanants, habitual felons
- Compensation & Benefits
 - Change retirement, health plans

BREAK

A break was taken.

Chairman Edney called the meeting back to order.

Steve Wyatt and Carey McLelland provided the mid-year financial report. Mr. Wyatt explained that two years prior the report had gone to a cost accounting type basis where the costs, of facilities, utilities, etc., are built into the departments. The Board has the option of continuing or changing the report to a more traditional method. Where you see that the percentage is substantially below 50% (i.e. Governing Body), there is probably a debt service payment to be made based on schedules throughout the year. A column could be added to deal with the debt service issues.

Carey McLelland explained that during the year the Sheriff received new grants prior to budget ordinance adoption. Those expenditure revisions are the result of a revenue revision that would be grant related.

The Commissioners requested that an additional column be added for debt service. Debt service is primarily for capital construction projects.

County Department	BOC Adopted	Expenditure Revisions (As of 12.31.10)	Revenue Revisions (As of 12.31.10)	Total Revised Budget	\$ Expended (As of 12.31.10)	% Expended (As of 12.31.10)
Governing Body	\$1,335,219	(\$44)	\$0	\$1,335,175	\$388,583	29.1%
Dues & Non-Profits	\$403,059	\$0	\$0	\$403,059	\$178,740	44.3%
County Admin.	\$796,698	(\$49)	\$0	\$796,649	\$338,586	42.5%
HR	\$454,392	(\$53)	\$0	\$454,339	\$226,948	50.0%
Elections	\$808,721	\$20,724	\$20,130	\$829,445	\$305,524	36.8%
Finance	\$770,332	(\$49)	\$0	\$770,283	\$403,135	52.3%
Assessor	\$1,798,986	\$7,698	\$0	\$1,806,684	\$735,525	40.7%
Tax Collections	\$551,063	(\$87)	\$0	\$550,976	\$215,034	39.0%
Legal	\$682,732	(\$44)	\$0	\$682,688	\$311,990	45.7%
Register of Deeds	\$861,313	(\$83)	\$0	\$861,230	\$393,143	45.6%
Engineering & Facility Serv.	\$1,345,202	\$29,961	\$30,000	\$1,375,163	\$564,302	41.0%
Court Facilities	\$190,000	\$0	\$0	\$190,000	\$84,891	44.7%
Information Technology	\$578,037	\$3,990	\$0	\$582,027	\$284,565	48.9%
Sheriff	\$13,346,671	\$565,945	\$564,589	\$13,912,616	\$7,002,257	50.3%
Detention Facility	\$5,204,530	\$66,354	\$66,354	\$5,270,884	\$2,179,959	41.4%
Emergency Management	\$207,504	\$8,985	\$0	\$216,489	\$94,445	43.6%
Fire Marshal	\$397,777	(\$20)	\$0	\$397,757	\$219,629	55.2%
Building Services	\$1,005,458	\$9,582	\$0	\$1,015,040	\$474,529	46.7%
Wellness Clinic	\$378,907	(\$15)	\$0	\$378,892	\$164,639	43.5%
EMS	\$4,152,883	\$3,663	\$0	\$4,156,546	\$2,110,311	50.8%
Animal	\$549,256	\$18,127	\$6,293	\$567,383	\$273,504	48.2%

Services						
CJPP	\$104,013	(\$2)	\$0	\$104,011	\$51,943	49.9%
Rescue Squad	\$106,650	\$0	\$0	\$106,650	\$78,082	73.2%
Property Addressing	\$144,059	(\$29)	\$0	\$144,030	\$63,235	43.9%
Forestry Services	\$55,473	\$0	\$0	\$55,473	\$14,544	26.2%
Soil & Water Conservation	\$384,877	\$0	\$0	\$384,877	\$131,793	34.2%
Utilities	\$198,196	\$0	\$0	\$198,196	\$100,336	50.6%
Planning	\$565,687	(\$44)	\$0	\$565,643	\$252,517	44.6%
Code Enforcement	\$300,113	\$22,038	\$14,000	\$322,151	\$164,007	50.9%
Soil and Sedimentation	\$153,248	\$6,683	\$0	\$159,931	\$44,195	27.6%
Cooperative Extension	\$422,988	(\$84,918)	\$0	\$338,070	\$173,246	51.2%
HOME Program	\$100,000	\$0	\$0	\$100,000	\$50,000	50.0%
Economic Development	\$466,768	\$84,918	\$0	\$551,686	\$150,250	27.2%
Public Health	\$3,247,894	\$2,650	\$2,000	\$3,250,544	\$1,320,349	40.6%
Health Programs	\$3,518,179	\$148,012	\$148,012	\$3,666,191	\$1,596,260	43.5%
Environmental Health	\$1,071,978	\$10,794	\$0	\$1,082,772	\$471,745	43.6%
Home/Community Care Grant	\$742,338	\$11,341	\$11,341	\$753,679	\$315,528	41.9%
DSS - Foster Care	\$521,027	\$0	\$0	\$521,027	\$229,857	44.1%
Mental Health	\$578,624	\$0	\$0	\$578,624	\$265,437	45.9%
ROAP (Rural Operating Assistance)	\$267,294	\$0	\$0	\$267,294	\$70,579	26.4%
Social Services	\$12,616,598	\$6,341	\$0	\$12,622,939	\$5,890,532	46.7%

DSS – Smart Start	\$491,078	\$0	\$0	\$491,078	\$271,951	55.4%
DSS – Federal & State	\$7,610,308	\$0	\$0	\$7,610,308	\$3,625,292	47.6%
DSS – General Assistance	\$57,000	\$0	\$0	\$57,000	\$15,521	27.2%
Juvenile Justice Grant	\$209,672	\$0	\$0	\$209,672	\$83,020	39.6%
Veteran’s Services	\$39,866	(\$5)	\$0	\$39,861	\$16,289	40.9%
Public Library	\$3,376,224	\$92,186	\$72,902	\$3,468,410	\$1,746,891	50.4%
Recreation	\$1,658,359	\$5,858	\$0	\$1,664,217	\$598,238	35.9%
Transfers/Non-Departmental	\$1,289,145	(\$104,787)	\$0	\$1,184,358	\$522,573	44.1%
TOTAL	\$76,116,396	\$935,621	\$935,621	\$77,052,017	\$35,264,449	45.8%

FY 2010-2011 Education Expenditures

	BOC Adopted	Expenditure Revisions (As of 12.31.10)	Revenue Revisions (As of 12.31.10)	Total Revised Budget	\$ Expended (As of 12.31.10)	% Expended (As of 12.31.10)
HC Public School System						
Current Expense	\$20,698,218	\$0	\$0	\$20,698,218	\$10,349,109	50.0%
Capital Expense	\$449,889	\$0	\$0	\$449,889	\$272,326	60.5%
Debt Service	\$9,801,596	\$0	\$0	\$9,801,596	\$4,716,731	48.1%
TOTAL	\$30,949,703	\$0	\$0	\$30,949,703	\$15,338,166	49.6%
Blue Ridge Community College						
Operational Expenses	\$2,325,516	\$0	\$0	\$2,325,516	\$1,162,758	50.0%
Capital Expense	\$90,724	\$0	\$0	\$90,724	\$45,362	50.0%
Debt Service	\$1,706,837	\$0	\$0	\$1,706,837	\$504,444	29.5%
TOTAL	\$4,123,077	\$0	\$0	\$4,123,077	\$1,712,564	46.4%

FY 2010-2011 Total Expenditures

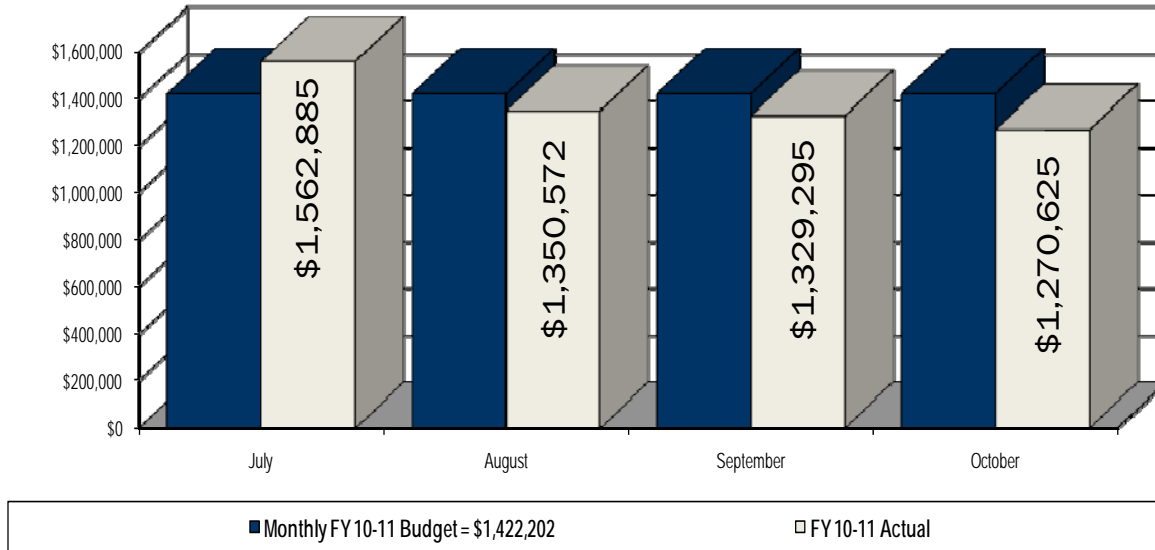
GENERAL FUND TOTAL	\$111,189,176	\$935,621	\$935,621	\$112,124,797	\$52,315,179	46.7%
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FY 2010-2011 Revenues

Revenue Source	BOC Adopted	Revisions (As of 12.31.10)	Total Revised Budget	\$ Received (As of 12.31.10)	% Received (As of 12.31.10)
Ad Valorem Taxes – Current Yr	\$ 58,549,491	\$ 0	\$ 58,549,491	\$ 47,943,151	81.9%
Ad Valorem Taxes – Prior Yrs	\$ 1,640,000	\$ 0	\$ 1,640,000	\$ 1,247,161	76.0%
Local Option Sales Taxes	\$ 17,066,421	\$ 0	\$ 17,066,421	\$ 4,242,752	24.9%
Other Taxes and Licenses	\$ 782,250	\$ 0	\$782,250	\$ 375,434	49.5%
Unrestricted Intergovernmental	\$ 72,000	\$ 0	\$ 72,000	\$ 57,794	80.3%
Restricted Intergovernmental	\$ 18,684,305	\$744,072	\$ 19,428,377	\$ 9,262,601	47.7%
Permits and Fees	\$ 1,120,450	\$ 14,000	\$ 1,134,450	\$ 589,971	52.1%
Sales and Services	\$ 5,364,860	\$ 0	\$ 5,364,860	\$ 2,122,560	40.5%
Investment Earnings	\$250,000	\$ 0	\$ 250,000	\$ 47,361	19.1%
Other Revenues	\$ 912,042	\$ 91,610	\$1,003,652	\$400,802	39.9%
Transfers from Other Funds	\$ 328,452	\$ 79,646	\$ 408,098	\$164,226	40.2%
Total General Fund Revenues	\$104,770,271	\$ 929,328	\$ 105,699,599	\$ 66,453,813	62.9%
Fund Balance Appropriated	\$ 6,418,905	\$ 6,293	\$6,425,198	\$ 0	0.0%

FY 2010-2011 Sales Tax Revenues

- Local Option Sales Tax = \$ 17,066,421
- Includes Fire Department Agreement
- Year to Date Variance = (\$175,431)
- *Municipality hold harmless payments resulting from Medicaid Relief paid out of Article 39 Sales Tax Receipts



Capital Financing Debt Schedule

Outstanding Debt Principal - Education

HC Public Schools	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015	6.30.2016
2010 Refinancing Bonds	\$14,832,528	\$12,727,941	\$10,807,453	\$8,891,149	\$6,974,845	\$5,058,541
2010 Apple Valley Middle/North High	\$5,998,069	\$5,328,175	\$4,662,153	\$3,996,131	\$3,330,109	\$2,664,087
2010 School QZABs - Repairs	\$1,626,750	\$1,446,000	\$1,265,250	\$,084,500	\$903,750	\$723,000
2009 School QSCBs - Repairs	\$3,384,360	\$3,416,320	\$2,989,280	\$ 2,562,240	\$ 2,135,200	\$ 1,708,160
2008 Hillandale & Mills River Elem.	\$26,514,286	\$24,685,714	\$ 22,857,143	\$ 21,028,571	\$19,200,000	\$17,371,429
2006 Sugarloaf Elem.	\$ 12,111,950	\$ 11,303,500	\$ 10,495,050	\$ 9,686,600	\$ 8,878,150	\$8,069,700
2005 Dana Elem.	\$ 9,609,600	\$8,923,200	\$8,236,800	\$7,550,400	\$6,864,000	\$6,177,600

2002 School QZABs	\$1,199,515	\$1,035,152	\$867,856	\$ 0	\$ 0	\$ 0
2001 Elem. Schools	\$815,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL HCPS	\$76,092,058	\$68,866,002	\$62,180,985	\$54,799,591	\$48,286,054	\$41,772,517
BRCC	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015	6.30.2016
2010 Repairs & Renovations	\$ 1,746,931	\$ 1,551,825	\$ 1,357,847	\$ 1,163,869	\$ 969,891	\$ 775,913
2006 Technology Education Bldg	\$ 12,439,300	\$ 11,609,000	\$ 10,778,700	\$ 9,948,400	\$ 9,118,100	\$ 8,287,800
TOTAL BRCC	\$ 14,186,231	\$ 13,160,825	\$ 12,136,547	\$ 11,112,269	\$10,087,991	\$ 9,063,713

HC Public Schools	6.30.2017	6.30.2018	6.30.2019	6.30.2020	6.30.2021
2010 Refinancing Bonds	\$ 3,368,176	\$ 2,435,129	\$ 1,510,449	\$ 0	\$ 0
2010 Apple Valley Middle/North High	\$ 1,998,066	\$ 1,332,044	\$ 666,022	\$ 0	\$ 0
2010 School QZABs - Repairs	\$ 542,250	\$ 361,500	\$ 180,750	\$ 0	\$ 0
2009 School QSCBs - Repairs	\$ 1,281,120	\$ 854,080	\$ 427,040	\$ 0	\$ 0
2008 Hillandale & Mills River Elem.	\$ 15,542,857	\$ 13,714,286	\$ 11,885,714	\$ 10,057,143	\$ 8,228,571
2006 Sugarloaf Elem.	\$ 7,261,250	\$ 6,452,800	\$ 5,646,200	\$ 4,839,600	\$ 4,033,000
2005 Dana Elem.	\$ 5,491,200	\$ 4,804,800	\$ 4,118,400	\$ 3,432,000	\$ 2,745,600
2002 School QZABs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2001 Elem .Schools	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL HCPS	\$ 35,484,919	\$ 29,954,639	\$ 24,434,575	\$ 18,328,743	\$15,007,171

BRCC	6.30.2017	6.30.2018	6.30.2019	6.30.2020	6.30.2021
2010 Repairs & Renovations	\$ 581,934	\$ 387,956	\$ 193,978	\$ 0	\$ 0
2006 Technology Education Bldg	\$ 7,457,500	\$ 6,627,200	\$ 5,798,800	\$ 4,970,400	\$ 4,142,000
TOTAL BRCC	\$ 8,039,434	\$ 7,015,156	\$ 5,992,778	\$ 4,970,400	\$ 4,142,000

Outstanding Debt Principal - County

	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015	6.30.2016
2010 Refinancing Bonds	\$ 1,149,184	\$ 997,381	\$ 846,888	\$ 696,724	\$ 546,559	\$ 396,395
2010 Law Enforcement Center/ Former Health Dept. Bldg	\$ 7,500,000	\$ 7,000,000	\$ 6,500,000	\$ 6,000,000	\$ 5,500,000	\$ 5,000,000
Detention Center	\$ 3,696,000	\$ 3,208,000	\$ 2,730,000	\$ 2,257,000	\$ 1,789,000	\$ 1,329,000
Human Services Bldg	\$ 10,410,400	\$ 9,666,800	\$ 8,923,200	\$ 8,179,600	\$ 7,436,000	\$ 6,006,000
Historic Courthouse	\$ 8,183,750	\$ 7,637,500	\$ 7,091,250	\$ 6,545,000	\$ 5,998,750	\$ 5,452,500
6 th Ave. Clubhouse	\$ 139,722	\$ 111,961	\$ 82,822	\$ 52,254	\$ 20,187	\$ 0
E911 Center Project	\$ 343,671	\$ 233,274	\$ 118,869	\$ 0	\$ 0	\$ 0
TOTAL COUNTY	\$ 31,422,727	\$ 28,854,916	\$ 26,293,029	\$ 23,730,578	\$ 21,290,496	\$ 18,183,895
GRAND TOTAL	\$ 121,701,016	\$ 110,881,743	\$ 100,610,561	\$ 89,642,438	\$ 79,664,541	\$ 69,020,125
FY Debt Principal (Reduction)		(\$ 10,819,273)	(\$ 10,271,182)	(\$ 10,968,123)	(\$ 9,977,897)	(\$ 10,644,416)

Outstanding Debt Principal – County

	6.30.2017	6.30.2018	6.30.2019	6.30.2020	6.30.2021
2010 Refinancing Bonds	\$ 263,935	\$ 190,820	\$ 118,361	\$ 47,541	\$ 0

2010 Law Enforcement Center/ Former Health Dept. Bldg	\$ 4,500,000	\$ 4,000,000	\$ 3,500,000	\$ 3,000,000	\$ 2,500,000
Detention Center	\$ 877,000	\$ 434,000	\$ 0	\$ 0	\$ 0
Human Services Bldg	\$ 5,948,800	\$ 5,205,200	\$ 4,461,600	\$ 3,718,000	\$ 3,360,500
Historic Courthouse	\$ 4,906,250	\$ 4,360,000	\$ 3,815,000	\$ 3,270,000	\$ 2,725,000
6 th Ave. Clubhouse	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
E911 Center Project	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL COUNTY	\$ 16,495,985	\$ 14,190,020	\$ 11,894,961	\$ 10,035,541	\$ 8,585,500
GRAND TOTAL	\$ 60,020,338	\$ 51,159,815	\$ 42,322,314	\$ 33,334,684	\$ 27,734,671
FY Debt Principal (Reduction)	(\$ 8,999,787)	(\$ 8,860,523)	(\$ 8,837,501)	(\$ 8,987,630)	(\$ 5,600,013)

Retiring Current Debt Service – Education

HC Public Schools	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015
2010 Refinancing Bonds	\$ 1,670,660	\$ 2,442,304	\$ 2,367,702	\$ 2,299,418	\$ 2,225,800
2010 Apple Valley Middle/North High	\$ 845,782	\$ 839,916	\$ 827,532	\$ 815,710	\$ 799,892
2010 School QZABs - Repairs	\$ 279,440	\$ 269,571	\$ 259,702	\$ 249,833	\$ 239,964
2009 School QSCBs - Repairs	\$ 505,122	\$ 498,911	\$ 490,925	\$ 482,940	\$ 474,954
2008 Hillandale & Mills River Elem.	\$ 2,865,920	\$ 2,797,897	\$ 2,729,874	\$ 2,661,851	\$ 2,593,829
2006 Sugarloaf Elem.	\$ 1,421,576	\$ 1,384,053	\$ 1,351,715	\$ 1,315,141	\$ 1,274,718
2005 Dana Elem.	\$ 1,203,570	\$ 1,168,818	\$ 1,134,498	\$ 1,100,178	\$ 1,069,290
2002 School QZABs	\$ 164,363	\$ 164,363	\$ 164,363	\$ 867,856	\$ 0
2001 Elem. Schools	\$ 853,713	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL HCPS	\$9,810,146	\$ 9,565,833	\$ 9,326,311	\$ 9,792,927	\$ 8,678,447

BRCC	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015
2010 Repairs & Renovations	\$ 246,333	\$ 244,625	\$ 241,018	\$ 237,575	\$ 232,968
2006 Technology Education Bldg	\$ 1,447,159	\$ 1,408,622	\$ 1,375,410	\$ 1,337,847	\$ 1,296,332
TOTAL BRCC	\$ 1,693,492	\$ 1,653,247	\$ 1,616,428	\$ 1,575,422	\$ 1,529,300

Retiring Current Debt Service – County

County	6.30.2011	6.30.2012	6.30.2013	6.30.2014	6.30.2015
2010 Refinancing Bonds	\$ 130,915	\$ 191,383	\$ 185,537	\$ 180,186	\$ 174,417
2010 Law Enforcement Center/ Former Health Dept. Bldg	\$ 0	\$ 860,000	\$ 836,000	\$ 812,000	\$ 788,000
Detention Center	\$ 645,480	\$ 622,535	\$ 594,771	\$ 572,372	\$ 550,155
Human Services Bldg	\$ 1,303,867	\$ 1,266,220	\$ 1,229,040	\$ 1,191,860	\$ 1,158,398
Historic Courthouse	\$ 952,078	\$ 926,725	\$ 904,875	\$ 880,163	\$ 852,850
6 th Ave. Clubhouse	\$ 34,011	\$ 34,011	\$ 34,011	\$ 34,011	\$ 34,011
New Etowah Library	\$ 53,332	\$ 0	\$ 0	\$ 0	\$ 0
E911 Center Project	\$ 122,874	\$ 122,874	\$ 122,874	\$ 122,874	\$ 0
TOTAL COUNTY	\$ 3,242,557	\$ 4,023,748	\$ 3,907,108	\$ 3,793,466	\$ 3,557,831
GRAND TOTAL	\$ 14,746,195	\$ 15,242,828	\$ 14,849,847	\$ 15,161,815	\$ 13,765,578
FY Debt Service (Reduction)/Addition		\$ 496,633	(\$ 392,981)	\$ 311,968	(\$ 1,396,237)

Debt Schedule Highlights

- Consistent pay down of debt principal
- 43% reduction of principal over 5 year period
- 77% reduction of principal over 10 year period
- FY 2012 Debt Service increase due to financing of Law Enforcement Center and Development Services Building
- FY 2014 Debt Service increase due to final principal payoff of 2002 School QZABs

Capital Reserve Fund Balance

- Capital Reserve Fund established in FY 2007
- The projected balance of the Capital Reserve Fund will be \$1,248,056 at the end of the current fiscal year

Appropriations from Capital Reserve for FY 11

- \$750,000 for Parks and Recreation projects
- \$126,969 for the Tuxedo Mill demolition
- \$1,058,307 for the Law Enforcement Center

Financial Forecast

HISTORICAL BUDGET INFORMATION - FY 2007 - FY 2011 - REVISED BUDGET EXPENDITURES

	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011 (As of 12.31.10)
COUNTY					
Operational	\$ 75,078,792	\$ 77,595,895	\$78,373,107	\$74,125,720	\$ 3,792,809
Debt	\$ 3,142,944	\$ 3,782,146	\$ 3,975,331	\$ 3,380,356	\$ 3,259,208
TOTAL COUNTY	\$78,221,736	\$ 81,378,041	\$82,348,438	\$77,506,076	\$ 77,052,017

	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011 (As of 12.31.10)
HENDERSON COUNTY PUBLIC SCHOOLS					
Current	\$ 17,705,127	\$ 18,802,573	\$ 20,205,922	\$ 20,392,939	\$ 20,698,218
Capital	\$ 2,314,000	\$ 2,098,675	\$ 2,255,339	\$ 449,889	\$ 449,889
Debt (Including QZAB)	\$ 7,073,274	\$ 9,016,477	\$ 9,760,528	\$ 9,437,123	\$ 9,801,596
TOTAL HCPS	\$27,092,401	\$ 29,917,725	\$32,221,789	\$ 30,279,951	\$ 30,949,703

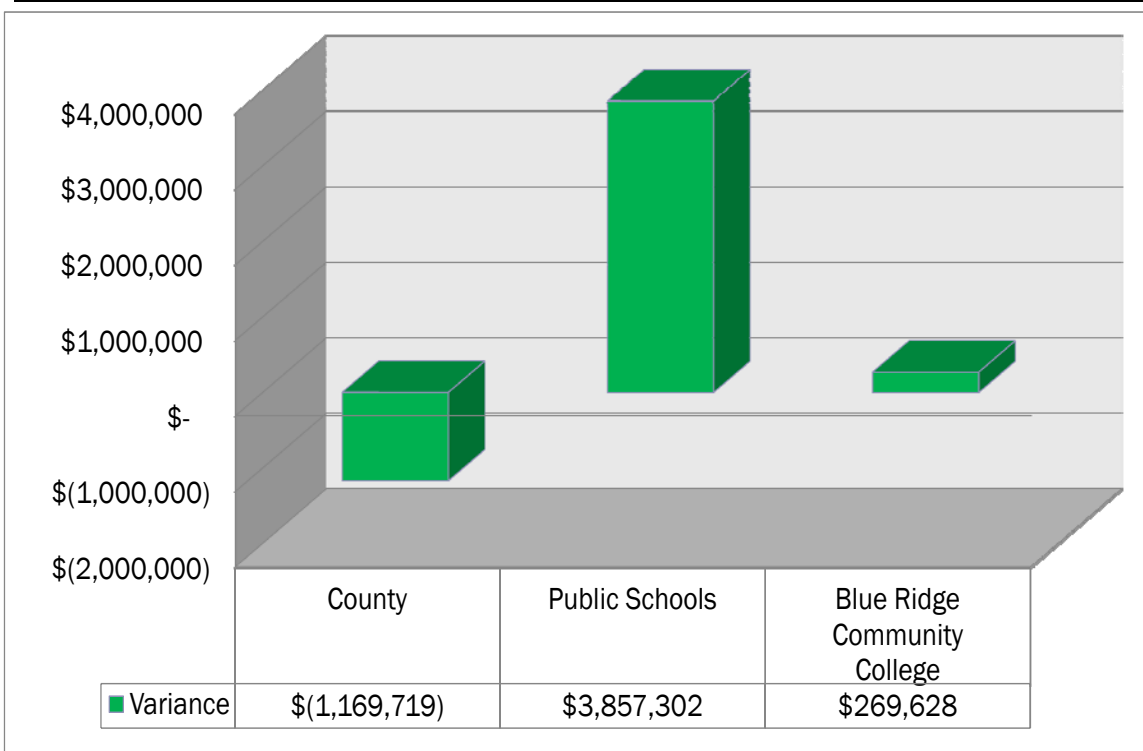
REVISED BUDGET EXPENDITURES					
	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011 (As of 12.31.10)
BLUE RIDGE COMMUNITY COLLEGE					
Operational	\$ 2,019,122	\$ 2,058,821	\$ 2,314,409	\$ 2,314,409	\$ 2,325,516

Capital	\$ -	\$ -	\$ 90,724	\$ 90,724	\$ 90,724
Debt	\$ 1,834,327	\$ 1,698,689	\$ 1,668,510	\$ 1,559,889	\$ 1,706,837
TOTAL BRCC	\$ 3,853,449	\$ 3,757,510	\$ 4,073,643	\$ 3,965,022	\$ 4,123,077

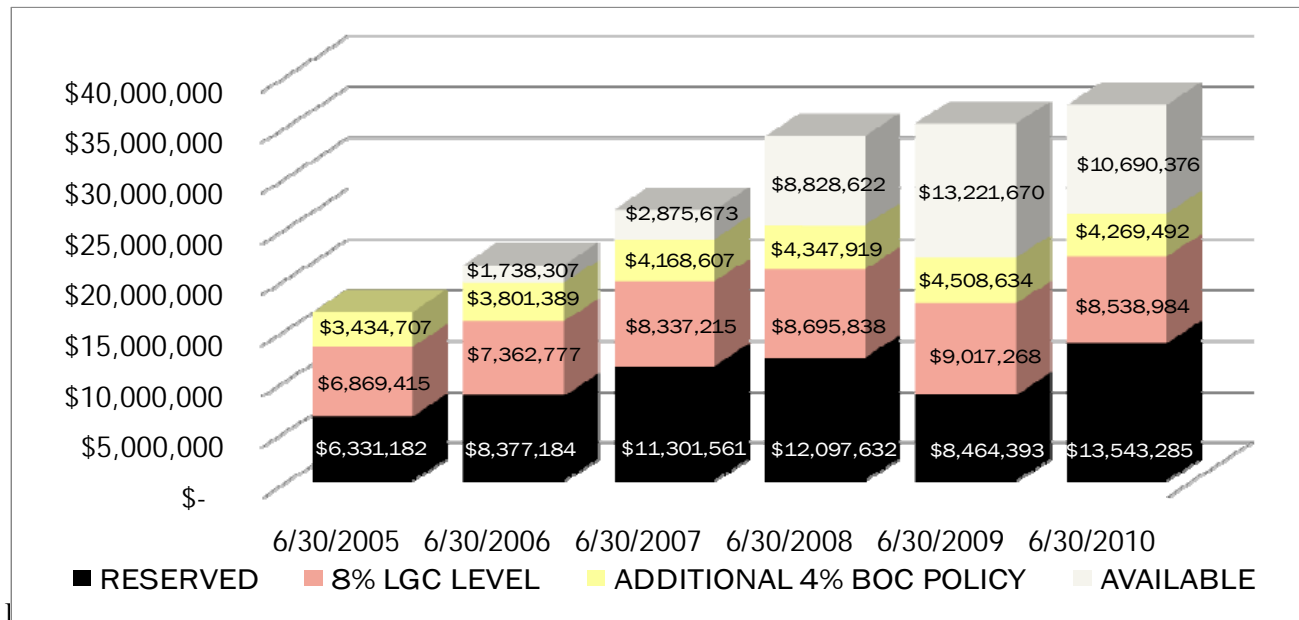
HISTORICAL BUDGET INFORMATION - FY 2007 - FY 2011 VARIANCE

REVISED BUDGET EXPENDITURES			
	FY 2006-2007	FY 2010-2011 (As of 12.31.10)	VARIANCE
COUNTY			
Operational	\$ 75,078,792	\$ 73,792,809	(\$ 1,285,983)
Debt	\$ 3,142,944	\$ 3,259,208	\$ 116,264
TOTAL COUNTY	\$ 78,221,736	\$ 77,052,017	(\$ 1,169,719)
HENDERSON COUNTY PUBLIC SCHOOLS			
Current	\$ 17,705,127	\$ 20,698,218	\$ 2,993,091
Capital	\$ 2,314,000	\$ 449,889	(\$ 1,864,111)
Debt (Including QZAB)	\$ 7,073,274	\$ 9,801,596	\$ 2,728,322
TOTAL HCPS	\$ 27,092,401	\$ 30,949,703	\$ 3,857,302
BLUE RIDGE COMMUNITY COLLEGE			
Operational	\$ 2,019,122	\$ 2,325,516	\$ 305,394
Capital	\$ -	\$ 90,724	\$90,724
Debt	\$ 1,834,327	\$ 1,706,837	(\$ 127,490)
TOTAL BRCC	\$ 3,853,449	\$ 4,123,077	\$ 269,628
TOTAL GENERAL FUND	\$ 109,167,586	\$ 112,124,797	\$ 2,957,211

HISTORICAL BUDGET INFORMATION FY 2007 - FY 2011 VARIANCE



Fund Balance History



- Revenue Assumptions
 - Revenue Neutral Tax Rate
 - Sales Tax Revenues Down \$1,000,000
 - Loss of AD
 - M Revenue
 - Fund Balance Appropriated ?

ADM Revenue History

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Budget	\$ 640,000	\$ 1,350,000	\$ 900,000	\$ 750,000	\$ 0
Actual	\$ 640,000	\$850,000	\$502,142	\$ 0	\$ 0

FY 2011-2012 Financial Forecast

Next Year Projected Budget	\$ 112,215,302
Minus Intergovernmental Revenues	\$ 18,777,320
Minus Mandated Maintenance of Effort	\$ 528,612
Minus Debt Service	<u>\$ 15,242,828</u>
Net	\$ 77,666,542

FY 2011-2012 Financial Forecast

To meet current obligations for FY 11-12 \$ 112,215,302
 Projected Revenues for FY 11-12 \$ 103,871,588
 Projected Revenue Shortfall \$ 8,343,714

Total projected available fund balance over **12%** as of July 1, 2010 = \$ 10,690,376
 Total projected available fund balance over **8%** as of July 1, 2010 = \$ 14,959,868

Available Fund Balance over 12%	\$ 10,690,376
Projected Shortfall	<u>\$ 8,343,714</u>
Difference	\$ 2,346,662
Available Fund Balance over 8%	\$ 14,959,868
Projected Shortfall	<u>\$ 8,343,714</u>
Difference	\$ 6,616,154

FY 2012-2013 Financial Forecast

To meet current obligations for FY 12-13 \$ 112,259,543
 Projected Revenues for FY 12-13 \$ 103,845,973
 Projected Revenue Shortfall \$ 8,413,570

FY 2012-2013 Financial Forecast

If the Board of Commissioners utilizes \$8,343,714 in fund balance to balance FY11-12...
 The Total projected available fund balance over 12% as of July 1, 2012 = \$2,346,662.
 The Total projected available fund balance over 8% as of July 1, 2012 = \$6,616,154.

FY 2012-2013 Financial Forecast

Available Fund Balance over 12%	\$ 2,346,662
Projected Revenue Shortfall	<u>\$ 8,413,570</u>
Difference	(\$ 6,066,908)
Available Fund Balance over 8%	\$ 6,616,154
Projected Revenue Shortfall	<u>\$ 8,413,570</u>
Difference	(\$ 1,797,416)

FY 2013-2014 Financial Forecast

To meet current obligations for FY 13-14 \$ 113,029,393
 Projected Revenues for FY 13-14 \$ 103,818,435
 Projected Revenue Shortfall \$ 9,210,958

Available Fund Balance	\$ 0
Projected Revenue Shortfall	<u>\$ 9,210,958</u>
Difference	(\$ 9,210,958)

To strategically utilize fund balance for the next 4 years:

- A four year plan to balance the budget without a tax increase
- Total projected available fund balance over 12% as of July 1, 2010 = \$10,690,376
- Annual Available Fund Balance = \$2,672,594

	FY 2012	FY 2013	FY 2014	FY 2015
Projected Shortfall	\$8,343,714	\$8,413,570	\$9,210,958	\$8,327,157
Available Fund Balance	\$2,672,594	\$2,672,594	\$2,672,594	\$2,672,594
\$ To Be Reduced	\$5,671,120	\$5,740,976	\$6,538,364	\$5,654,563

- A four year plan to balance the budget without a tax increase
- Total projected available fund balance over 8% as of July 1, 2010 = \$14,959,868
- Annual Available Fund Balance = \$3,739,967

	FY 2012	FY 2013	FY 2014	FY 2015
Projected Shortfall	\$8,343,714	\$8,413,570	\$9,210,958	\$8,327,157
Available Fund Balance	\$3,739,967	\$3,739,967	\$3,739,967	\$3,739,967
\$ To Be Reduced	\$4,603,747	\$4,673,603	\$5,470,991	\$4,587,190

To strategically utilize fund balance for the next 3 years:

- A three year plan to balance the budget without a tax increase
- Total projected available fund balance over 12% as of

July 1, 2010 = \$10,690,376

- Annual Available Fund Balance = \$3,563,459

	FY 2012	FY 2013	FY 2014
Projected Shortfall	\$8,343,714	\$8,413,570	\$9,210,958
Available Fund Balance	\$3,563,459	\$3,563,459	\$3,563,459
\$ To Be Reduced	\$4,780,255	\$4,850,111	\$5,647,499

- A three year plan to balance the budget without a tax increase
- Total projected available fund balance over 8% as of July 1, 2010 = \$14,959,868
- Annual Available Fund Balance = \$4,986,623

	FY 2012	FY 2013	FY 2014
Projected Shortfall	\$8,343,714	\$8,413,570	\$9,210,958
Available Fund Balance	\$4,986,623	\$4,986,623	\$4,986,623
\$ To Be Reduced	\$3,357,091	\$3,426,947	\$4,224,335

To strategically utilize fund balance for the next 2 years:

- A two year plan to balance the budget without a tax increase
- Total projected available fund balance over 12% as of July 1, 2010 = \$10,690,376
- Annual Available Fund Balance = \$5,345,188

	FY 2012	FY 2013
Projected Shortfall	\$8,343,714	\$8,413,570
Available Fund Balance	\$5,345,188	\$5,354,188
\$ To Be Reduced	\$2,998,526	\$3,059,382

- A two year plan to balance the budget without a tax increase
- Total projected available fund balance over 8% as of July 1, 2010 = \$14,959,868
- Annual Available Fund Balance = \$7,479,934

	FY 2012	FY 2013
Projected Shortfall	\$8,343,714	\$8,413,570
Available Fund Balance	\$7,479,934	\$7,479,934
\$ To Be Reduced	\$863,780	\$933,636

BREAK

A break was taken for lunch.

Chairman Edney called the meeting back to order.

County Manager Steve Wyatt requested guidance from the Board.

Board of Commissioners Discussion and Direction to Staff

FY11 Budget

- Extend hiring freeze through June 30th (BOC Motion)
- Leave FY11 budget as is, working toward continued savings (BOC Motion)

Commissioner Messer made the motion that the Board leaves the FY2011 budget as is with continued effort toward savings. He further motioned that the hiring freeze remain in effect through June 30 with the exception of public safety personnel. The motion passed 4-1 with Commissioner O'Connor voting nay.

FY 12 Budget

- Account for all Debt Service in a stand-alone department (BOC Motion)

Chairman Edney made the motion that the budget process go back to reporting debt separately, the old way of accounting. All voted in favor and the motion carried.

CLOSED SESSION

Chairman Edney made the motion for the Board to go into closed session as allowed pursuant to NCGS 143-318.11 for the following reasons:

1. Pursuant to N.C. Gen. Stat. § 143-318.11(a)(3), To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged.
2. Pursuant to N.C. Gen. Stat. § 143-318.11(a)(5), to establish, or to instruct staff or agents concerning price negotiating position or other contract terms for real property acquisition.

All voted in favor and the motion carried.

Commissioner O'Connor made the motion to go out of closed session and reconvene into open session. All voted in favor and the motion carried.

Chairman Edney called the meeting back into open session.

Board of Commissioners Discussion and Direction to Staff continued

- Maintain 12% fund balance (BOC Motion)
- 5% overall countywide/across the board decrease of \$77M (BOC Motion)

Commissioner Messer made the motion that staff bring back figures to the Board maintaining the fund balance at 12% , with a 5% overall countywide/across the board decrease of the \$77,666,542 budget of FY2011/ FY2012 as a guideline for the county manager. The vote passed 4-1 with Commissioner O'Connor voting nay.

- 7.5% overall countywide/across the board decrease of \$77M – use no fund balance (BOC Motion)

Commissioner O'Connor made the motion that staff bring back figures to the Board using no fund balance, with a 7.5% overall countywide/across the board decrease of the \$77,666,542 budget of FY2011/FY2012 as a guideline for the county manager. The vote passed 4-1 with Commissioner Messer voting nay.

- Add longevity component back into pay plan (BOC Motion)

Chairman Edney made the motion to add longevity back into the pay plan. All voted in favor and the motion carried.

- FY 12 Budget – Options for Review
 - Implement 4 year budget plan
 - Financial options for 6 month period beginning FY12
 - Consider temporarily eliminating positions, to be reviewed for reinstatement for FY12
 - BOC pay cut equal to overall reduction
 - Non-Profits – assist in finding other (non-county) funding sources
 - Insurance contributions by employees
 - Protect employees re: local government retirement system
 - Unpaid holidays
 - Pay cuts
 - Reductions in Force
 - Positional workload study
 - Recreation – work with Fletcher on expanding soccer program

ADJOURN

Commissioner O'Connor made the motion to adjourn at 3:35 p.m. All voted in favor and the motion carried.

Attest:

Teresa L. Wilson, Clerk to the Board

J. Michael Edney, Chairman