

**STATE OF NORTH CAROLINA
COUNTY OF AVERY**

The Avery County Board of Commissioners met in a Budget Workshop on Monday, May 5, 2016 at 9:00 a.m. in the Commissioners Board Room, Avery County Administrative Complex, 175 Linville Street, Newland, NC. The purpose of the meeting was to discuss the upcoming Fiscal Year Budget 2016/2017.

Members Present: Martha Hicks, Chair; Maxine Laws, Vice-Chair; Reo Griffith; Faith Lacey; Blake Vance

Members Absent: None

Call To Order

Chair Hicks called the meeting to order at 9:10 a.m.
Tim Greene led prayer.

FY Budget 2016/2017

Tim Greene, County Manager, stated that the budget is balanced at the current tax rate with a 2 million dollar fund balance appropriation. We started this process in January and there has been a lot of work between January and now. In government everything centers around the budget.

Chair Hicks questioned what percentage that the health insurance went up. Mr. Greene answered that it went up 6%: this is below the medical trend which is about 14%. Chair Hicks questioned if there was a cost of living adjustment already added to the budget. Mr. Greene said that there was not and that Avery County is working on 2010 salaries. The dollar figure would be right at \$250,000 for a 3% COLA which would include all of the fringes. Blake Vance stated that he felt like the county employees deserved a cost of living adjustment. We are operating off seven year levels. Reo Griffith stated that he didn't think anyone on the board would argue with a COLA. There is an increase from \$25,490,000 to \$26,099,330. I thought that the COLA was in the budget increase. Mr. Greene said he did say that we were working on the 2010 salaries but that it was not built into the budget. I am not arguing with the cost of living but I just misunderstood.

Mr. Griffith questioned on page 1 of 5 tab #4 account #3173.0000-Interest income is that interest on all monies in the bank that we are drawing interest on. Mr. Greene said that is on the qzab bond. When we borrow money on a qzab loan we make annual deposits. Instead of making semiannual payments every year we make an annual deposit and at the end of 15 years they will take that money and pay off the loan. We are actually paying back less than we borrowed. Mr. Griffith said section 5 of the last audit you all had estimated interest at \$40,000 when really the interest was \$200,000; there was a big discrepancy. You need to make the figures closer than what you have. Mr. Greene said he would have to look into that. We would never estimate like that. Mr. Griffith questioned if there any more fattening in the budget? Mr. Greene said

everything is in here with the exception of the additional requests. Mr. Greene said that a few years back Carey's Flats asked for \$5,000 but they never got their money and it was approved. Discussion regarding Carey's Flats request. Mr. Greene said we never build in a lot of cushion; we budget on what is necessary to run the department and we feel like we have a pretty good handle on what the department needs.

Chair Hicks said that the Board would start and go through each department and see if any commissioner had questions.

Mr. Griffith commented that he was against voting any commissioners a pay raise. Blake Vance said he felt the commissioners should be exempt from the COLA. Maxine Laws agreed with Mr. Griffith and Mr. Vance. Mr. Greene stated that he thought the Board should be included like everyone else. Everything is going up. The manager's recommendation is to go with an across the board COLA if the board decides to do a COLA.

Blake Vance suggested that he would like to think about getting Ipads or tablets for the commissioners. It would save a lot of time and a tremendous amount of paper.

Each department's budget was looked at page by page and discussed.

Discussion about the meals for the inmates. Consensus by the Board to move forward with a long term contract (3-5 years) with Cannon Memorial Hospital to provide the meals for the inmates.

Recess

Chair Hicks called for a brief recess.

Chair Hicks stated that the Board was back in session after a brief recess.

Capital

In the Sheriff's office there are five vehicles that are over 100,000 miles. If we do three vehicles, we still have two vehicles over 100,000 miles. There have been some years that we have approved four vehicles but most years it is three. We have budgeted five cars. The Sheriff will speak on his budget at a different meeting if the Board wants to wait and here what he says.

Recess

Chair Hicks called for a recess for lunch.

Chair Hicks called the workshop back in session after recess.

Special Appropriations

Mr. Greene stated that in past years on Special Appropriations we would just put in the set amounts but this year I put in the actual requests. This was mainly because of Mayland and Toe River Health District. In the past Avery County would fully fund those and the other two counties would not. I think for the last two years Mitchell and Yancey

has funded the health department and Mayland better than us. With the tri-county ones we should be doing our part. Most of the ones requested the same that they got last year.

Chair Hicks stated that on Mayland Community College we would hold up on that request until we find out what Mitchell and Yancey counties do.

Reo Griffith proposed that all Special Appropriations stay at the same amount as they were last year and that would nearly pay for our employees cost of living raise.

Consensus by the Board to leave the Morrison Library the same as last year. Consensus by the Board to give \$20,000 to the Avery County Humane Society and earmark the money for food and utilities. Consensus by the Board to give Avery Alzheimer's support the same as last year, also WNC Development, Shrine Club. Blue Ridge RC&D will be given \$400.

Consensus by the Board to give the Museum the same as last year; Tag Office same as last year; Little League same as last year.

Consensus by the Board to raise Blue Ridge Partnership for Children from \$5,000 to \$7,500. Consensus by the Board to keep YMCA as it was last year; keep drug court as it was last year.

Consensus by a majority of the Board to raise the Avery Chamber to \$5,000. Consensus by the Board to leave Oasis the same as last year; Airport Authority the same as last year; Smokey Mountain leave the same as last year.

Consensus by a majority of the Board to give Pyatte Community Center \$5,000 and to give Carey's Flats the \$5,000 that they did not get and the money would come out of Available for Appropriations line item. Consensus by a majority of the Board to give the Hospitality House \$3,000 this will also come out of Available for Appropriations line item.

Commissioner Griffith asked how much was in the general fund at this time? There was discussion about this. Mr. Greene said that at June 30, 2015 there was \$12,771,000 approximately. Mr. Greene said you would need to think about the \$12,771,000 but that the number is going to shrink because we are going to go in the hole this year because we are spending more than we are taking in but we knew that going into it. This number is going to shrink because this year's budget we have budgeted less revenue than what we budgeted expenses. We said we are going to appropriate 2.4 million out of fund balance which means we are going to spend 2.4 million that we don't think we have revenue coming in for. At some point you are going to drain your savings account.

Discussion regarding fund balance.

Commissioner Griffith stated that he had taken a stand all along that we had been dumping 1 to 1.5 million dollars back into general fund about every year at the old tax rate. Mr. Greene said that he had looked at the average excess over the last five years and it was on average approximately 1.2 million dollars. Commissioner Griffith stated that we cut the taxes 7.38 cents and just off the cuff we are saying it could be a million dollars in the red. I don't believe we will need a 2 million dollar appropriation to balance the budget at the end of the year because we were averaging dumping 1.2 million in with the old tax rate. Mr. Greene stated this budget as it stands right now is showing just slightly over a 2 million dollar fund balance appropriation. We will be budgeting a 2 million dollar fund balance appropriation. At the end of next June, we might make up 1.2 million of that 2 million. Here is what I will say as your manager, it is fine to make up a bit of that 2 million dollars but you don't want to wind up in the hole. If you never have any projects, you would not have to build your fund balance very much but you wouldn't want to be going in the hole. The 1.2 million on average for the last five years, that money has built up our fund balance or capital reserve and that is a good thing. If you have things you want to do like swimming pool, ag. building or school, that is good. We have money on hand to do the swimming pool and ag. building and we have cash on hand and then we don't have to borrow any money.

Commissioner Griffith stated that this is my mindset and it is not going to change; that 1.2 million dollar average goes along with the argument that I had of over taxation. That is totally Reo's argument. There is a difference in a want and a need. If we run out of money, we can raise taxes.

Commissioner Vance stated that any way you want to rearrange this or talk about this we are running a deficit every year. The new board coming on Tim and Woodie, I have heard them say publicly that they are in favor of proceeding with the school which is going to be somewhere in the vicinity of 6 to 10 million dollars. 10 million dollars at 1% is \$500,000 interest. We are paying for the deficit out of our savings. Going forward unless we change something, we will be in the deficit. This is just pure math. When you run a million dollar deficit every year, you can't sustain that.

Mr. Greene said you can say 1.2 million dollars dropping in at the end of the year is a lot of money but look at it this way. We are really budgeting about 98% of actual. That is not a lot of cushion. Because of having money rolled in every year, we were able to build the jail for cash, do the courthouse renovation for cash and we were able to do 7 million dollars on the Banner Elk School.

Chair Hicks stated that when we come back to the next budget meeting let us see where we can cut a million dollars in this budget.

Mr. Greene said over the years I think we have run a pretty tight ship. You can always find waste but by in large everything is about where it needs to be. You can do anything; you can cut the budget in half right now but you are going to have to let a lot of employees go. You are not going to balance the budget in operational. Where the

money is at in a government is in the personnel. It takes people to provide the services. You do not have to provide the services that we are providing.

Chair Hicks stated that she believed in taking care of the employees and I believe in taking care of the facilities. Things are coming up like the ag building. We cannot keep on and on digging into the general fund. We are going to have to look by next year or the next to raise taxes if it keeps going like it is. I was totally against a new high school but since I got involved in it and every time I look at the DPI report and look into it more and more I believe we don't have a choice.

The next budget meeting will be May 12, 2016 at 5:00 p.m. with the Avery Fire Commission, Avery County Sheriff's Office, and Avery County Board of Education. Consensus by the Board to have the public hearing on the budget on June 13, 2016.

Adjourn

Chair Hicks adjourned this meeting at 3:10 p.m.

Martha Hicks, Chair
Avery County Board of Commissioners

ATTEST: _____
Cindy Turbyfill, Clerk