

**STATE OF NORTH CAROLINA
COUNTY OF AVERY**

The Avery County Board of Commissioners met in a Budget Workshop on Tuesday, May 28, 2013 at 9:00 a.m. in the Commissioners Board Room, Avery County Administrative Complex, 175 Linville Street, Newland, NC.

Members Present: Kenny Poteat, Chairman; Glenn Johnson, Vice-Chair; Phyllis Forbes; Reo Griffith; Martha Hicks

Members Absent: None

Call To Order

Chairman Poteat called the meeting to order at 9:00 a.m.

Robert Wiseman, County Manager, stated that statutory requirements dictate that every county in North Carolina file a tentative balanced budget with the Clerk to the Board the first working day in June and make this available to the press and citizens.

Chairman Poteat led prayer.

Fiscal Year Budget 2013/2014

Chairman Poteat reviewed the previous budget workshops discussions. We began with a deficit of \$739,462. To this figure we added or "built the cat" \$58,725 additional monies to the Board of Education for operational expense, \$10,000 for drug court, \$621,669 to fully implement the MAPS pay plan, \$48,000 for a resource officer, \$11,000 for Avery Fair, \$2500 Avery Chamber, \$2500 for Newland Centennial, \$1020.00 for Yellow Mountain Enterprise, \$1000 for Sheriff's office training and ammunition, and \$15,000 for 3 in-car cameras which would total a deficit of \$1,510,876.

To "skin the cat", New Day \$20,980 was taken away because they no longer exist, \$48,000 was taken out for the resource officer because of the grant, \$70,000 taken out of economic development for paving, moving a light pole and landscaping, \$2500 taken out for EMS paving and \$10,000 taken out for lights for the sheriff cars for a total of \$1,359,396.

Tim Greene, Finance Officer, stated that he had spoken with Dr. Daniel Barron, Library Director, who was pleading that the county bring the Library allocation back up to the 3% that was taken away from the library the previous year because they had almost lost their state allocation. Consensus to add back \$2350 for the library allocation that was a 3% cut from last year bringing the new deficit to \$1,361,746.

Discussion regarding the Fire Commission.

Chairman Poteat stated, "There is a request for \$186,000 for Fire Commission after allowing them a 1 cent increase last year. They are still \$186,000 short. I asked Daryl and he said he wanted us to 'skin the cat'. I, for one man, do not see increasing the Fire commission funding by \$186,000. That would be added to the weight of the cat. Does anyone see adding \$186,000 to the weight of the cat?"

Reo Griffith said "I spoke with Ms. Sondra about this and we did not go into great detail but Ms. Sondra has some idea on how to cut this \$186,245 and it not be detrimental to the fire service. Frank Fire Department is living in a mud hole down there; they are living in disgusting conditions. Ms. Sondra said there was money in place to start the purchase of land and buildings down there."

Martha Hicks questioned "Tim, what did we give them last year on buying property and stuff. Was it \$70,000? It was in the budget last year and it is back this year. I want to know how much they got. Last year's budget we gave them so much and we need to see what to give them and I have another thing and Sondra says we can cut the Linville Central Employee."

Phyllis Forbes said "Maybe we can give a portion of the Linville Central employee because we have not been." Reo said "NO".

Martha said "They said they have been paying that out of their funds for a long time. This year we don't have the money. Since we are so far in the hole they will have to pay it out of their other for a little while longer."

Reo said "We have paid firefighters in every station and paid EMS so the county is pretty well covered."

Robert Wiseman said "We have not discussed this but there were restrictions in the past on some of the monies that were allocated that they be used for debt reduction on equipment and property and those obligations still exist. That is where the money should be applied."

Sondra Austin was asked to come into the meeting.

Chairman Poteat stated "The reason we asked you in is because you have much more information of the Fire Commission than we do."

Martha questioned "Sondra, in the capital outlay they have \$130,000 in there for Frank. How much did we give them last year on that?" Sondra said "\$130,000 last year so if you give them that this year they will have \$260,000."

Martha said "Daryl said the property was going to cost around \$100,000. We could give them half of the \$130,000 and that would get them started on the building and let them get a loan."

Chairman Poteat stated "Ms. Martha you are advocating giving them \$65,000 which would give them \$195,000? Martha said "Or cut it less."

Reo said "Ms. Sondra, the brief discussion that you and I had the other day concerning this and you told me was that it was roughly \$200,000 that the fire tax would bring in. Did you say that you thought that you already could make cuts and that it not be detrimental to the fire departments and I mentioned to you about Frank Fire department and mentioned to you the conditions they are living in; did you not say that day Reo I know where some stuff is we can cut; could you share that."

Sondra said "If you have the current budget now it shows at the very bottom a total of \$2,350,245."

According to Tim the projected tax revenue is \$2,218,000 which would make us over \$132,245. There are three trucks on here, one for Elk Park, one for Frank and one for the fire department coordinator which is under fire commission which totals \$80,000. There were some funds left in the debt reduction account back when the county was providing money to get all of the debts caught up. There was some money left in there because when they went to pay off the loan they got a reduced rate that some interest was cut back so they have \$80,000 left in that account that could buy those three trucks. I know that Charlie needs a truck but I don't know about Elk Park or Frank. Evidently the commission felt that they did need those. "

Reo said "Elk Park has a marked black blazer and I can't answer for that but the little Frank truck it is a 2000 and some model ; nice little QRV truck."

Sondra said "If Charlie was here he could answer that question. Charlie's is one of David Charles old Emergency Management trucks and just about every 2-3 weeks he has to go fix something that has gone out; it is on its last leg."

Reo questioned "He would not have to have a new truck to drive from home to the office and special meetings and stuff."

Sondra said "No. They have \$28,000 in it for it. This would give you \$80,000 of the \$132,000."

Chairman Poteat said "As I look at this lets concentrate on the capital outlay building and land and I don't see this anywhere else. Do you think this is just \$130,000 from last year or an additional \$130,000?"

Tim Greene stated "This is an additional \$130,000."

Chairman Poteat said "I advocate that we do what Ms. Martha said and half the \$130,000 to \$65,000 which would gain us \$65,000 and adding the \$41,000 from the Linville Central Rescue Squad full time employee and add the \$80,000 this would come to \$186,000 within \$245 dollars of their request and this is the advocating on how we would skin the cat." "All of us know that group insurance increase is reasonable we can't deny them that. They are a fine group of men and they need insurance and that leaves that in place and leaves in place everything but the full time employee and three vehicles. Would that work Tim?"

Tim said "That would total up to \$186,000."

Glenn Johnson stated "What is the projected cost to buy land and build a building at Frank?"

Sondra said "The only thing I know is the land would be around \$100,000 to \$125,000 but I don't know a cost of the building."

Reo said "There is some land adjoining the old Frank Fire Station that a perk test is being done now and Lee at the Health Dept. is in contact with Raleigh and it being a public building there has to be so much space for sewage. If that land perks where the old rock house is standing and if that land perks and Lee can get clearance from Raleigh that is definitely in the ballpark of \$100,000 so that may be your answer."

Glenn stated "Currently we know when the fire commission was created there was a big debt, is there any debt for the fire commission?"

Sondra said "the only debt is Linville Central and they have got buildings on a loan. All of the fire departments buildings and trucks are all paid."

Robert said "Commissioner Heath supported the idea of an increase in the fire tax with the stipulation that increase went to reduce the debt and it has worked well."

Glenn said "That is the way we want to keep it. You talk about a waste of taxpayer's money in Glenn Johnson's opinion is paying interest to a bank. I heard Martha say they might have to get a loan. Do we think they would have to get a loan to build the building and buy the property?"

Sondra said "If you take the \$80,000 out and the \$41,000 out you are only \$11,000 dollars over the projected fire tax so you could actually still put \$119,000 into the budget this year to go with the \$130,000."

Martha said "I am all for Frank getting a fire department. I have been down there and looked. Daryl is hoping this will pass and they can buy it but it is not for certain. The man really has not given him a figure but it would be from \$100,000 to \$130,000 in that ballpark. I am going to tell you look around at the fire

departments they have nice buildings. How much was it they were looking into putting into a building down there?"

Sondra said "I have heard people say somewhere around \$1,000,000." Reo said "That is hogwash; we are not going to do that."

Martha said "Newland's was not that much nor Fall Creek. Let us get it down to earth to you can at least see how you are going to pay it."

Reo said "that is my fire district; that is the boy's that are going to come and pull me and my wife and children out of a burning house and I would be the biggest advocate on the board for Frank Fire Department but I would tell them if they packed this room full that is the foolishness talk I have ever heard. We can build a metal building and a good little fire station a lot less than any figure like that."

Glenn said "What figure are we looking at realistically? Would it require the fire commission to borrow money to buy the land and build that building?"

Sondra said "It would take some. If you had \$250,000 and you spent \$100,000 on land that would give you \$150,000 on the land and preparation and it might take more than that."

Martha said "They can't even use the bathrooms down there. They did purchase some property down there with a house on it."

Chairman Poteat said "There is a lot of ifs and unanswered questions. It sounds like just another \$65,000 could not be ample. This is a separate tax, it stands on its own. It is at 5 cents currently which is up. Do you remember the fire tax being more than 5 cents on the dollar, Phyllis? I don't. If we went up a penny on fire tax, that would generate \$440,000. Our task is to have a balanced budget for the fire commission. We are some \$186,000 apart. That is taking away \$65,000 from the building fund. We have two choices; up the fire tax or "skin the cat for them".

Reo said "Let's skin the cat. We can't add burden to the taxpayers. I will face those boys myself and you have the suggestion."

Martha stated "Most people this day and time don't have the money to start it with. If they get the property, then work up to it. Before I say get \$130,000 or more I would like to have some plan on a building and see what their plans are. "

Chairman Poteat said "The correct differential is not \$186,000; it is \$132,245. I am advocating as Chairman is taking out \$41,000 Linville Central employee, \$80,000 for three new trucks, and go back to the \$130,000 and reduce by \$11,000 down to \$119,000. We are allowing \$119,000 this year and \$130,000 last year in the building fund."

Sondra said "we can buy those three trucks."

Chairman Poteat said "The five cent fire tax will cover those fire expenses. Let's have a consensus of the Board that we disallow the full time employee for Linville Central, disallow the three brand new vehicles which will be taken care of any way, that is their business and that we reduce what is in front of us the request for \$130,000 additional dollars for building and land by \$11,000 to \$119,000." There was consensus of the Board.

Commissioner Griffith stated that in Tim Greene's budget going back some months ago we had an assistant finance officer and he left and so we moved that position from assistant finance officer and created the position of Human Resources Officer. We are asking for more money to make bigger government and adding back a position of assistant finance officer. I would advocate not make bigger government but make that position a dual position. Phyllis Forbes questioned if the person who is the human resources officer qualified to do the assistant finance officer. Robert Wiseman stated that there is an evident need for assistant finance officer. We don't need bigger government. The money that is involved here does not need to be looked at as an increase in bigger government but we can find the money somewhere else coming from two or three different places. We can justify that position. We also need a human resource officer even going back to the MAPS study. Their recommendation was to increase the capacity of the administrative end by including the position of human resource officer.

Martha Hicks stated when she came in as commissioner everything was fine; we had extra monies. We have lost somewhere around \$50,000,000 in taxes. We don't see building going on, don't see people having to come in and do deeds. It had been talked about doing away with the mapping position and doing the mapping on a contract basis. You go to the courthouse and you have three in the Register of Deeds office; you have those in the tax office and every time one quits the position is filled. If we are not doing the work that we did a long time ago, why are we still carrying the same amount of employees? In the Register of Deeds office the biggest part of the lawyers walk in and do their own thing and never ask for help but there sits three people. Times are hard. We have to make it up somewhere. Most counties now instead of hiring full time positions are hiring part time positions.

Chairman Poteat stated he had heard justification for the assistant finance officer. The County Manager stated that there were several options to help take money from different places to fund the assistant finance officer. Commissioner Griffith questioned if the money could be decreased from the Finance Department's budget \$40,000 for the assistant finance officer. The County Manager said that we had the

ability to absorb from other areas enough money to fund a new position without increasing the overall cost. The deficit would decrease to \$1,321,746.

Recess

Chairman Poteat called for a brief recess.

Chairman Poteat declared the budget workshop to be back in session after a brief recess.

Glenn Johnson pointed out that the Avery Fair request was \$11,000 and every other department's request had been the same as last year or not honored in its entirety. Mr. Johnson stated that he was a huge advocate of the YMCA. Martha Hicks suggested that the YMCA funds be cut because there were seniors that wanted to go to the YMCA but could not afford it but had not gotten one of the scholarships. Chairman Poteat advocated that the Avery Fair be given \$10,000 instead of \$11,000. Ms. Hicks requested that Mr. Johnson ask the YMCA to try to serve the seniors more.

Discussion regarding the capital needs of Avery County. There was discussion regarding the projected funding for future projects which would include the courthouse renovation; auxiliary middle school and recreation center; and new high school project. Avery County has remaining debt service on prior capital projects. The approximate annual payment is 1.4 million dollars annual payment toward the 7.3 million.

Glenn Johnson said if we had a project to do and didn't want to borrow any money then we start saving. Mr. Johnson discussed the possibility of raising the tax rate ½ cent and putting that money toward the recreation center which would be roughly \$220,000 per year and that would satisfy the state that we are doing something toward the building of a recreation center. Commissioner Griffith suggested that we reduce the price of the Puckett House to \$150,000 and then put that money toward the recreation center. There was discussion regarding the recreation center.

Chairman Poteat stated it was very wise in liquidating surplus properties that Avery County has and put toward the recreation center. Discussion regarding the surplus properties that Avery County has. Martha Hicks stated that in the meetings with talking about the old Banner Elk School the public wants to know why the commissioners have never set a price on the Banner Elk School. For the future, I think our Board needs to sit down and start talking about a price to satisfy the taxpayers. Glenn Johnson and Phyllis Forbes both agreed that they would sell the school for \$3,000,000 right now. Chairman Poteat stated that at the time we could never totally agree on the price. Mr. Johnson stated that we have started a project so let us give the project a try. We have beat this "horse to death". We have made the decision of what to do with this building. Phyllis Forbes reminded the Board that the property is zoned medical/educational only. Chairman Poteat instructed the county manager to identify surplus properties that can be liquidated.

Chairman Poteat pointed out that a transport van for the jail would cost approximately \$38,000. This van would be considered capital. We have \$2,601,680 in jail project fund balance that is not earmarked for anything but jail. Whatever is left in this project fund would be shifted to the capital reserve fund. My advocacy is to take \$38,000 out of the jail project fund balance to purchase the van. **Consensus by the Board that the transport van for the jail will be purchased out of the jail project fund balance.**

Chairman Poteat stated that the deficit was \$1,320,746. He said that he had several options to try to balance the budget. I am advocating no tax increase. I tried my best last year to not increase the tax rate last year. We did not touch general fund at all last year.

Chairman Poteat said that a 1% decrease across the board to all departments would equate to \$115,000. The general fund balance is approximately \$4,800,000. We are dictated by government to maintain at least 8% and that amount of money is \$1,920,000. What if we delve into our fund balance based on 20% being 4.8 million and 1/20th of that money would generate \$240,000. One last thought is the undesignated capital reserve, not including lottery funds or jail and backing out \$38,000 for a van leaves us \$4,837,000 in undesignated capital reserve. A good account will always understate revenue and overstate expenses and that is wise. Last year we frustrated with this and met for hours and hours and when all was said and done an additional \$900,000 did flow into capital reserve in the prior year. This may happen again and may not happen at all. I wanted to say all of this to say that my first priority or "to skin the cat" is to reduce general fund balance by 2%, leave at 18% and that would generate \$440,000 of our need. The remaining \$880,000 would come from undesignated capital reserve. That is less money than flowed in from surplus from this past year. This does not include tax increases and enables us to do everything today. Not many counties in North Carolina have a 20% fund balance. Certainly not all counties have that type of fund balance. I have not talked to anyone yet that has a capital reserve. We have been wise over the years. Last year we raised taxes 2 ½ cents.

Secondly, I advocate taking it all from capital reserve and leave fund balance alone. I don't think that is the way to do it. After the van, undesignated capital reserve is \$4,837,000. There is no way with the trickle effect we are going to save enough money to build a high school, even a recreation center not all of it but we have to be able to afford the payment. If we go to 18% in the fund balance, I see that better than going to a tax increase. This scenario does include fully implementing MAPS. If we do not implement MAPS, we would be about \$700,000 apart and I would suggest that come from capital reserve but people are more important than things. I think we should fully implement the MAPS study.

Martha Hicks stated that she agreed with taking out of fund balance and capital reserve. She stated that she agreed with doing the MAPS study. I do not want to lay the burden on the taxpayers. I suggest going with option one.

Chairman Poteat stated that his first option does not include a 1% across the board reduction.

Phyllis Forbes said that she did agree with leaving the MAPS study in place. Like everyone else I do not want to raise taxes but I have done some research. Ms. Forbes read minutes from 1992. "James Buchanan stated that when we prepared the budgets excepting revenues we included in the revenues the 5 cent fire tax then we set the budget for revaluation, debt service and fire tax, however, we failed to transfer the 5 cent to the fire tax fund to cover the checks. We have to report that money coming from the fund balance to cover the fire tax expenses of \$472,000." Then he addressed budget problems. In regard to our budget James stated that our auditors will be giving the board an estimate of what our fund balance will be and it will show us in the red. We have a ZERO fund balance. When we ran the budget at the first of the year we had not used any fund balance; it all had to come from new revenues that is why we suggested a 17 cent tax increase. We are either going to be on the borderline or in the red on fund balance that means by May or June we will be extremely low on funds., This will hold true if we only spend what we budgeted and will have to collect everything we budgeted under revenues in the year. If the Board decides to do a project that is not budgeted they are not going to be able to do it. Last year we used 1.5 million dollars of fund balance to balance the budget. Going into this year as of July 1 there was zero fund balance because they have used it over the past 3-4 years to balance the budget." Phyllis said they used fund balance to balance the budget in 1988,1989,1990 and 1991.

He said we cannot float a bond or borrow money with no fund balance.

I read all of this to say I don't want to go down that road again. That is why I want to be careful about using fund balance. I went into office in December and we were faced with that and we raised the tax rate 10 cents and at that point in time the tax rate was 68 cents and right now it is 40 1/2 cents. The reason we raised it 10 cents we were called to Raleigh to the LGC and they said if you don't raise the taxes we will.

Chairman Poteat stated that I know what is going on in this county. If you are wise you will keep "x number" of dollars on hand. This is just 2 parts out of 20 leaving at 18%. We have done this before. The big thing in my decision making is the fact that \$900,000 was overflowed into fund balance this year and that enables us to do this.

Glenn Johnson stated "I am not going to like the other plans. I don't want to raise taxes either but I am not sitting here playing politics in next May's election. I don't have to have this job. What Phyllis brought up here was 21 years ago. That was a time before the big buildup. The big buildup came in 2003-2006. We were looking at a tax rate of 68 cents back then, we are looking at a tax rate now of 40 1/2 cents. One reason is that the revaluation has kept up with inflation. We have multimillion dollar homes in the county that people have said there is a cap on this property which there is not. We are 50,000,000 dollars in the hole with the revaluation. We know that the valuation is 4.5 billion dollars in this county. We know those figures are going to drop tremendously. The majority is going to be in the multimillion dollar homes; my home is going to drop a little. If we raise the tax rate to get the revenue neutral it would take 8-10 cents. Your scenario is not all that bad but I am not 100% on board with it. I have had other people tell me that you need to increase taxes. If we are going to build a recreation center, high school we have to have some "skin in the game". We have to be willing to pay the taxes if we want to ride the train. The problem is what are we going to do next year?"

Chairman Poteat said he had another option which would be to increase the taxes by 1 cent which would generate \$440,000, reduce fund balance 1 part out of 20 which would be \$240,000 and \$640,000 from capital reserve. Chairman Poteat stated another scenario would be 1 cent additional tax of \$440,000, 1% of fund balance \$240,000, 1% reduction across the board of \$115,000 which left \$525,000 coming out of capital reserve.

Commissioner Griffith stated “we have to live within our budget. The County Manager must gather up the departments and say people here it is. It is coming down to us at the end of the day we have to make the big decision. Here is the budget you have to live within it. Phillip Barrier said some property was auctioned off at Eagles Nest that bottomed out. Times are not good and not going to get any better. We don’t have big money coming in. We are going to have less revenue. We have to stay within the budget. I am not facing re-election next year. I am for reducing the fund balance by 2 parts and \$880,000 from the capital reserve.”

Recess

Chairman Poteat called for a recess for lunch at 12:50 p.m

Chairman Poteat called the workshop back in session at 2:00 p.m.

Medical Insurance Presentations

BCBS

Matthew Chase with Blue Cross and Blue Shield gave a presentation about BCBS insurance.

Tucker Administrators

Gene Tucker, the County’s current insurer, gave a presentation regarding the medical insurance.

Chairman Poteat stated that a recommendation from the county manager, finance officer and the human resource officer would be forthcoming at the June 3, 2013 meeting.

Continuation of the Discussion regarding the FY 2013/2014 Budget

Chairman Poteat stated that apparently with some reservations it sounds like the majority of the Board is in favor of offsetting the \$1,320,000 deficit by utilizing fund balance coupled with capital reserve.

Chairman Poteat stated that Tim Greene’s recommendation is that the entire amount come out of fund balance and then that would be reinstated by rollover monies and then if it is not, our position would be not for fund balance to go below 18%.

Chairman Poteat stated to repeat we are going to close this gap or “skin the cat” \$1,300,000 by utilizing existing balances, i.e. fund balanced coupled with capital reserve but in the beginning until it is determined how much might flow over Tim Greene is going to take it all out of fund balance. If and when the money does not flow into it then we are back to taking that extra amount out of capital reserve up to \$880,000 to replenish the general fund.

Glenn Johnson stated that Chairman Poteat’s option is not entirely what he would want but he would suggest a ½ cent tax increase for a recreation center to show some good faith which would bring in \$220,000 per year and that would satisfy the state. This would get us on the road toward the recreation center.

Chairman Poteat stated he could not vote for the ½ cent tax increase because he felt there was a good mechanism in place in liquidating some surplus property and dedicate that to the recreation center. Martha Hicks did not agree with the ½ cent tax increase. Reo Griffith did not agree with the ½ cent tax increase.

Majority of the consensus of the Board to balance the budget out of fund balance and undesignated capital reserve.

Adjourn

Motion by Reo Griffith and second by Martha Hicks to adjourn this meeting at 4:07 p.m. Motion unanimously approved.

**Kenny Poteat, Chairman
Avery County Board of Commissioners**

ATTEST: _____
Cindy Turbyfill, Clerk

