



STOKES COUNTY

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Budget Message

Fiscal Year 2018/19

TO: The Stokes County Board of Commissioners

FROM: Jake M. Oakley, Interim County Manager

DATE: May 29, 2018

SUBJECT: Fiscal Year 2018/19 Recommended Budget

In accordance with the North Carolina Local Government Budget and Fiscal Control Act (N.C.G.S. 159-8), it is my pleasure to present my recommended Stokes County Fiscal Year 2018/2019 proposed budget in the amount of **\$49,042,299**. This is a total that I am proposing from the two new recommended tax rates for General County at **\$36,896,740** and School Current Expense Fund at **\$12,145,559**. My total recommendation is balanced, and maintains the current property tax rate of \$0.62 for General County, \$0.04 for the Edu. School Fund, and \$0.08 for all Fire Districts.

The purpose of the County's annual budget process is to develop a fiscally responsible plan that enables the organization to accomplish the priorities established by the Board of County Commissioners. This guidance was based on the budget/goals sessions held during the month of March that relied upon a conservative budgeting philosophy to balance service demands with available revenues. We have made all of these decisions without negatively impacting the delivery of services to the public. Balancing the budget requires a thorough analysis of the County's revenue stream combined with attempting to meet the requests from each of the County's departments. Some requests were approved, some reduced, and some eliminated. All requests by the County departments were not taken lightly. I have thought critically about each of the requests, and my conclusions were based on the overall well-being of Stokes County citizens.

Below, you will see my recommendation for creating a new tax code for the Stokes County Board of Education. This requires separating the General County Rate of \$0.62 into two taxing areas; one for the General County with a rate of \$0.31, and the second for the School Current Expense Fund having a rate of \$0.31. Separating the original tax rate into these two new taxing funds will allow taxpayers better transparency, relating to where their tax dollars are being spent. I will go into more detail on the separated tax codes throughout the body of this recommendation. Please note that under both taxing scenarios presented, there will not be a tax increase.

A mandatory public hearing for the proposed FY 2018/19 Budget has been scheduled for 7:00 pm in Courtroom "A" of the Stokes County Government Center on Monday, June 12, 2018.

Attached, I have provided you with a brief summary of the County's revenue, along with my recommendations for each department's Budget.

I would like to thank the Board of Commissioners for providing the guidance and valuable assistance in helping myself and the budget team with the development of my Recommended Budget. I am looking forward to working with each of you as we complete and implement the final budget for FY 2018/19.

Stokes County

2018/2019 Budget Summary

Proposed Budget w/ Current Tax Rates

General Fund: \$46,290,125
 General Fund Balance: \$ 2,752,174
Total Budget: \$49,042,299
 County Levy @ 97.41% Collection Percentage Motor
 Vehicles @ 100% Collection Percentage

Total Property Valuation: \$3,914,440,341
 One Penny Generates (less M.V.) 382,291
 Approved Tax Rate: 0.62
 Estimated Current Year tax Levy: \$23,702,102

Recommended Budget w/ New tax Rates

General Fund: \$36,896,740
 School Current Expenses Fund: \$12,145,559
Total Recommended Budget: \$49,042,299
 County Levy @ 97.41 % Collection Percentage Motor
 Vehicles @ 100% Collection Percentage

Total Property Valuation: \$3,914,440,341
 One Penny Generates (less M.V.) 382,291
 General Fund Tax Rate: 0.31
 Est. Current Year tax Levy: \$11,851,051
 School Current Exp. Fund Tax Rate 0.31
 Est. Current Year tax Levy: \$11,851,051

Amount Recommended in Appropriation for Each Department

General Fund:

Administration \$ 245,654
 Governing Body 1,102,877
 Finance 444,539
 Purchasing 97,197
 Elections 202,457
 Register of Deeds 233,714
 Tax Administration 862,233
 Revaluation 171,413
 GIS/Mapping 218,410
 Public Building 1,112,292
 Information System 298,494
 Legal 82,000
 Superior Court 23,413
 Vehicle Maintenance + 209,351
Total General Funds: \$5,304,044

Health Department 764,778
 Environmental Health 291,662
 Social Services (all) 7,487,629
 Veteran's Service 23,020
 Senior Services + 614,758
Total Human Services: \$9,181,847

Sheriff \$3,761,100
 Jail 2,146,460
 Emergency Management 196,624
 Emergency Communications 850,723
 Fire Marshal 246,054
 EMS 3,237,289
 District Resource Center 174,783
 Medical Examiner 42,000
 Animal Control + 321,162
Total Public Services: \$10,976,195

Other County Departments:

Arts Council \$ 98,891
 Solid Waste 1,329,925
 Library 512,468
 Cooperative Extension 179,238
 Natural Resources 143,791
 Planning and Zoning 410,394
 Economic Development 824,834
 Recreation 117,484
 Special Appropriation 522,509
 Parks + 23,345
Total Other County: \$4,162,879

Board of Education:

Schools Current Expense Fund \$12,145,559
 Forsyth Tech College + 199,487
Total Education: \$12,345,046

Debt Service:

Debt Service +4,370,917
Total Debt Service \$4,370,917

Other County Funding:

Capital Reserve Fund \$ 350,000
 Medicaid Title XIX 587,777
 Mental Health (MOE) 248,820
 Stokes Reynolds Hospital Fund 74,999
 Contingency 300,000
 Dedicated Fund-Capital/Debt Service + 1,139,775
Total other Funds: \$2,701,371

Total Budget –All Funds: \$49,042,299

FISCAL YEAR 2018/19 RECOMMENDED BUDGET

This fiscal year's budget had its challenges. My primary goals were to present a balanced budget, while preserving a high quality of service to citizens, combined with meeting as many goals of the Board of Commissioners as funding would allow. After initial budget requests (General County and Schools) were submitted to the budget team, we arrived at a General Fund budget deficit of \$4,815,727 or the equivalent of **12.60 cents** of the property tax rate. Factors contributing to this deficit were as requested by the departments; **General County**, Additional Personnel (\$480,047), Salary Adjustments (\$74,544), Equipment (\$484,938), and Motor Vehicles (\$636,100), Operating Cost (\$734,100) and **Board of Education**, Current Expense (\$2,405,998).

Balancing the budget in light of these requests requires a thorough analysis of the County's revenue stream compared to departmental budget requirements. Details on my recommendations are found as follows:

Ad Valorem (Property tax):

The recommended budget includes **no property tax increase**, keeping the current County tax rate flat at \$0.62 County, \$0.04 Edu. Fund, and \$0.08 for all Fire Districts. If approved, this would mark the fourth (4) consecutive year with no County property tax increase. The projected County tax base for the fiscal year 2018/19 is \$3,533,625,598, comprised of real and personal property and all public utilities after exclusions. This is a modest 1% increase over the current year's adopted tax base, which is driven by the growth in new construction as submitted by the Tax Office. I am recommending that Real/Personal Property values be assessed for taxation during the FY 2018-19 at a 97.41% collection rate. Motor vehicle revenue appears to be strong, as in past years, with total projected values of \$380,814,743. The State of North Carolina Department of Motor Vehicle (DMV) collects these taxes throughout the year at a 100% rate of collection.

As stated in my introduction, I am recommending that a new tax code be set up for the County School System for current expenses. This new tax rate will only apply to the creation of a new fund, which will be a sub-fund of the General Fund and will be displayed on the County taxpayers' bills. This can be accomplished in accordance with the Local Government Commission guidelines (LGC). The new tax code for the schools will more accurately reflect the appropriation of all tax dollars. It will also create a better understanding for the taxpayers relating to how their County Commissioners appropriate funding. It will give citizens the transparency in Government that they need. Below you will see the current tax rates and my new recommended rates:

Proposed Revenue per Existing/Current Tax Codes:

General County & M.V. (\$0.62)	\$23,702,102
Edu. School Fund & M.V. (\$0.04)	\$ 1,529,168
Service Fire District & M.V. (\$0.08)	\$ 1,802,889
King Fire District & M.V. (\$0.08)	\$ 380,456
Rural Hall Fire District & M.V. (\$0.08)	\$ 73,773
Walnut Cove Fire District & M.V. (\$0.08)	\$ 261,040

Recommended New Tax Revenue Per Tax Codes:

General County Expenses & M.V. (\$0.31)	\$11,851,051
Schools Current Expenses & M.V. (\$0.31)	\$11,851,051
Edu. School Fund & M.V. (\$0.04)	\$ 1,529,168
Service Fire District & M.V. (\$0.08)	\$ 1,802,889
King Fire District & M.V. (\$0.08)	\$ 380,456
Rural Hall Fire District \$ M.V. (\$0.08)	\$ 73,773
Walnut Cove Fire District & M.V. (\$0.08)	\$ 261,040

I am recommending the four cent (0.04) Edu. School Fund stated above, be changed to **Dedicated Fund-Capital/Debt Service**. This is set up to handle all Capital Funding for buildings, repairs, new construction, and debt service for School Projects. By changing what these funds can be appropriated for, it will allow the County to plan for future growth for all areas of County Government. This would enable the County to provide the funding on some projects instead of issuing new debt, or do a combination of funding and debt service.

Sales Tax Revenues:

Sales tax revenue growth has been strong in the current year due to the rebound in the economy and the creation of a new Walmart in King. My recommended revenues in sales tax are to remain as last year's earnings, based on revenue reported as of March 2018.

General Fund:

1 Cent Sales Tax (Article 39)	\$2,365,000
½ Cent Sales Tax (Article 40)	\$2,120,000
½ Cent Sales Tax (Article 42)	\$ 640,000
Sales Tax Reallocation (Article 44*524)	\$1,645,000

School Capital Outlay/Capital Reserve Fund:

½ cent Sales Tax (Article 40)	\$935,000
½ cent Sales Tax (Article 42)	\$945,000

Enterprise Fund:

Stokes Reynolds Memorial Hospital is operated by LifeBrite. All budget items related to the Hospital are in accordance with the lease agreement. Regional Sewer and the Danbury Water Funds remain financially sound. Enhanced 911 is a sur-charge on all phone service and is used to maintain the county's addressing / E911 Communications.

Regional Sewer Fund:	\$ 125,956
Stokes Reynolds Hospital:	\$ 85,000
Danbury Water Fund:	\$ 125,557
Enhanced 911 Fund:	\$ 411,172

General Fund Balance:

In my proposed budget, an appropriation of \$2,752,174 will be required from the County's General Fund account to balance the budget. This appropriation will assure that funding for services provided by our County are met. This amount is the equivalent of a **7.2 cent** tax increase of the property tax rate, and reduces the fund balance from 33.56% (\$14,997,977) to 27.4% (\$12,245,803) per the County Fiscal Year 2017 audit. During the budget goal sessions, the Board of County Commissioners expressed concerns that the fund balance should not drop below 25%. I regret having to use any of the County fund balance to balance my recommended budget. However, to meet each department's needs, the needs of the school system, and to provide adequate services for our citizens, I had no choice other than to request the transfer of the amount stated above to ensure continued stability in our budget.

Expenditures, General County:

County departments requested \$37,731,056 (General County) in expenditures for next year's General Fund Budget. After careful review, the recommended budget is \$36,896,740 (General County), which equals an \$834,316 reduction from requested budget. The recommended budget is a decrease of \$1,179,501 without School Current Expense compared to fiscal year 2017-18. Below I am highlighting some of the items that are in the budget. We will discuss in detail each department's budget in the budget work sessions.

New Positions:

The recommended Budget includes funding for six (6) new positions in the Jail. These new positions are detailed below:

- 6 new Jailers for the New Jail Expansion, phased in over the new budget year.
 - 2 Jailers added - July 1st 2018 - 12 months employment.
 - 2 Jailers added - October 1st 2018 - 9 months employment.
 - 2 Jailers added – December 1st 2018 - 7 months employment.

The Stokes County Sheriff's Office is currently under contract for a new jail expansion and the completion date is set for mid to late February, 2019. Being in operation in the new 2018/19 fiscal budget makes the need for these new jailers to begin their employment phased in as stated above. With this completion in February, it gives the County the opportunity of four (4) months of saving/revenue.

Equipment/Vehicles:

- Sheriff's Office (\$177,200 Vehicles), (\$71,775 Equipment) – This will allow the Sheriff's Office to purchase six (6) new vehicles (4 SUV's and 2 trucks), and upgrade the Spillman Software, computers/laptops and body armor vests.
 - GM and Ford Motor Company have announced plans to phase out the police interceptor sedan by the end of 2019. After having a discussion with Sheriff Mike Marshall, it is in the best interest of the County to proceed in converting our Sheriff Department's fleet over to SUV's and trucks. I will go into more details on the type of vehicles during our Budget Work Sessions.
- Emergency Medical Services (\$252,200) - Funding will be primarily used to allow EMS to remount an existing ambulance, purchase LifePak, laptops with docking stations and Monitor VI pagers.
- Social Services (\$36,000) – Two (2) new vehicles. Only \$13,523 is from County funds-the balance is from State and Federal Funding.

Employee's Cost of Living (COLA) and Reclassification:

- **Employees - Cost of Living (COLA)**
I am recommending a 4% employee Cost of Living (COLA- \$550,650) for all full and part-time employees effective for the pay period beginning 07/14/18, and to apply the 4% to the current Salary Grade/Step Schedule. This begins the process of making Stokes County more competitive with our workforce and hopefully relieves some of the turnover pressures we have experienced in certain departments. Details will be discussed during the budget work sessions.
- **Employees - Reclassifications**
I am recommending employee reclassifications of (\$69,808) to be effective for the pay period beginning 07/14/18, which cost \$60,353 due to federal and state funding for DSS positions. This change will help reverse excessive personnel turnover and begin the process of making Stokes County competitive with the salaries of our surrounding counties. Details will be discussed during the budget work sessions.
- **Employee's Salary Schedule:**
I am recommending that the first five (5) grade levels be deleted (Grades 52, 53, 54, 55 and 56) and start the County's pay schedule grade at 57. All employees that fall under these first five (5) grades are to be placed on Grade 57 at the same step that they are currently on. This will be effective for the pay period beginning 07/14/18. This would affect five (5) employees and cost approximately \$5,800. If their salary is below \$19,500, then their step level will be moved to meet this figure. It is my understanding that the Board of Commissioners are requesting that this beginning salary be the \$19,500 figure. If the COLA is added to the Grade/Step table then the salary would be above \$19,500. Stokes County has a high turnover rate in certain departments. I am requesting that the Board of Commissioners look into moving from a one percent salary increase during the employee's anniversary date review to a two percent increase each year. I do not have this annual increase in my proposed budget; but, I am requesting that this be considered during the 2018/19 cycle and hopefully funded in the FY 2019/20 Budget. This change will help with the turnover rate and assure that County salaries are more competitive with the adjoining counties.

Health & Dental Insurance Cost:

- The County utilizes a health insurance broker (EBA) to find the lowest cost insurance provider for the County. During this bid process Medcost, our current provider, bid the lowest of competing companies. The bid for this year's coverage includes a 10.13% increase with a cost of \$559.89 per employee's monthly coverage. This amount would reflect a total annual cost of \$2.21 million for the County to provide health insurance for employees.
- Dental insurance will continue with the same provider used by the County last year and premiums will remain at \$31.62 per month for each employee.
- Term Life Insurance provided by the county will have a decrease for the new budget at a cost of \$4.98 per month for each employee.

Capital Projects, General County:

Jail:

The new FY 2018/19 Budget will reflect the New Jail Expansion Project, with a completion date of February, 2019. The Sheriff's Office is projecting savings with the housing of inmates from other counties as a revenue source of being able to provide the same type of service as housing inmates here at Stokes. This savings/revenue time frame for the New Jail is during the last four (4) months of the Fiscal Year 2018-19 budget cycle. The savings/revenue that are projected are not in my recommended budget as the new jail is currently under construction, with a date of completion set for late February, 2019. During any construction project of this size and nature, a lot of unforeseen events can cause delays, which negate any cost savings or revenue projected. I will go into more details concerning this new expansion during the budget work sessions.

RiverStreet Communications:

In regards to digital communications (internet), Stokes County has been working with RiverStreet Communications to provide this service. RiverStreet has made great strides in establishing its core base which, when completed, will support the branching out to unserved areas of the county. This service has already begun and will be completed on time. Stokes County has provided funding in the amount of \$1.8 million over a three year period amounting to \$600,000 annually. This is the final year of payment.

Petree Trust Fund:

Over the last several years, Stokes County has been blessed to see the construction of a beautiful recreation center in the community of Pine Hall, totally financed by the Petree Trust Fund. Recently, Stokes County has received more funding from the trust (\$241,000) to provide a picnic shelter and hiking trails. Again, at no cost to the taxpayers, this project should be completed during this new budget cycle, with the citizens of Stokes in the Pine Hall community enjoying this new addition.

Stokes County Board of Education 2018/19 Budget Request

School Current Expense:

Per North Carolina General Statutes, local Boards of Education have until May 15th of each year to submit their proposed budget to the County. The current expense budget request from the Board of Education for FY 2018/19 county funding was \$13,374,796, which \$94,508 for Poplar Springs Elementary School's operating cost paid from the Dedicated Fund (4 cents). This is a \$2,405,998 increase over last year's approved budget or the equivalent of **6.30 cents** of the property tax rate. Major Factors contributing to this deficit were as requested; Teacher Positions, Salary Increases, Supplement Pay, Matching Technology Grants, Utility Cost, Yellow Bus Operate, and School Resource Officers.

My recommendation for the Schools Current Expenses for FY 2018/19 Budget is \$12,145,559, with funding for Poplar Springs Elementary School's operating cost from the Dedicated Fund (4 cents). This is a \$1,176,761 increase over the FY 2017/18 Budget.

School Capital Outlay:

The Capital Outlay request from the Board of Education for FY 2018/19 county funding was \$2,016,811. This is a \$516,011 increase over last year's approved budget. Some of the factors contributing to this deficit were as requested; Mt. Olive Elementary Roof Replacement, Sandy Ridge Elementary New Roof, Chestnut Grove Middle Air Condition for the Gym, Repaving parking lots at Schools, and an Agricultural Building at West Stokes.

My recommendation for the Schools Capital Outlay for FY 2018/19 Budget is \$1,880,000. This is a \$379,200 increase over the FY 2017/18 Budget.

I realize that my recommended budget reflects a significant reduction in the original request by the Board of Education. With these reductions, neither the Board of County Commissioners nor I can say what can or cannot be funded in current expense or capital outlay. I do believe that the school board will make appropriate adjustments in their budget that is in the best interest of our students and school faculty. During the budget session scheduled with the Board of Education, they will have the opportunity to appeal to the County Commissioners to reinstate the reduced funding.

Throughout the budget process, I have stated how the separation of the current tax rate needs to be assessed in two different areas of taxation; one tax rate for the General County, and one rate for the County School System. This change will allow taxpayers better transparency relating to where their tax dollars are being spent. The recommended tax rate for school current expense is 31 cents. This will allow the school system to have the assessed values for the fiscal year to project revenues.

Recommendation:

It is my formal recommendation that the Board of County Commissioners adopt my recommended budget of \$49,042,299 for the 2018/19 Fiscal Year.

I would like to thank each of the County employees for their tireless efforts and continuous service that they provide to the citizens of Stokes County. I would also like to thank the Board of Commissioners for providing valuable direction in the development of this recommended budget. I am looking forward to working with each of you to develop a final budget for FY 2018/19 that will meet the service needs and expectations of our citizens and our communities.