

STATE OF NORTH CAROLINA        )        OFFICE OF THE COMMISSIONERS  
  )        STOKES COUNTY GOVERNMENT  
COUNTY OF STOKES                )        DANBURY, NORTH CAROLINA  
  )        FEBRUARY 25, 2006

The Board of Commissioners of the County of Stokes, State of North Carolina, met for special session (Budget Retreat) in the Commissioners' Chambers of the Ronald Wilson Reagan Memorial Building (Administrative Building) located in Danbury, North Carolina on Saturday, February 25, 2006 at 8:30 am with the following members present:

Chairman Leon Inman  
Vice-Chairman Joe Turpin  
Commissioner Sandy McHugh  
Commissioner John Turpin  
Commissioner Jimmy Walker

County Personnel in Attendance:  
Clerk to the Board/Interim County Manager Darlene Bullins  
Budget Director Dennis Thompson  
Finance Director Julia Edwards  
Assistant Finance Director Lisa Lankford  
Tax Administrator Wren Carmichael

Stokes County Schools  
Dr. Larry Cartner - Superintendent

Chairman Leon Inman called the meeting to order.

Dr. Larry Cartner delivered the invocation.

#### **GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE**

Chairman Inman opened the meeting by inviting the citizens in attendance to join the Board with the Pledge of Allegiance.

#### **GENERAL GOVERNMENT - GOVERNING BODY - BUDGET RETREAT**

Chairman Inman presented opening remarks and expressed appreciation o each member for their participation.

Budget Director Dennis Thompson explained the following regarding the BudgetRetreat:

- Review the status of revenues for Fiscal Year 2004/05 and Fiscal Year 2005-06 and receive preliminary information regarding Fiscal Year 2006-07 revenues
- Review the status and outlook of departmental programs
- Discussions on current and long range issues and goals
- Opportunity to instruct the Budget Team on the Fiscal Year 2006-07 budget process

#### **TAX ADMINISTRATION**

Tax Administrator Wren Carmichael noted the following:

- Tax Administration Office to meet the amounts projected for the fiscal year 2005-06 budget
- Expenditures to be at budget
- No anticipation of any new programs, major capital requests, or major changes in Tax Administration or Revaluation budget for the upcoming year
- Long range needs - full time position to be in charge of bankruptcy accounts
- Garnishments are increasing daily
- Real Property Valuations - Estimated \$2,314,098,438 for 2006
- Personal Property Valuation - Estimated \$154 million for 2006
- Total of Real and Personal Property Valuation - \$2,468,098,438 for 2006
- Utilities Valuation - \$355,000,000 for 2006
- Total County Valuation Estimate - \$3,143,098,438 for 2006
- Motor Vehicles collections to be taken over by the State in 2009

- 2004/05 Collection rate of 95.37% increasing
- Recent tax appeal in Raleigh - ruled in favor of Stokes County

Tax Administrator Carmichael presented and explained a revised Collection Status Fiscal Year 2004-05 versus Fiscal Year 2005-06.

Vice Chairman Joe Turpin questioned the estimated valuations used in the fiscal year 2005-06 budget process.

Budget Director Dennis Thompson raised the question of budgeting a collection rate less than 95.37% in order to build up fund balance and also discussed tax rate comparisons with surrounding counties.

The Board discussed the recent Revaluation revenue that was absorbed in the 2005/06 Budget along with projected tax revenues and growth in the county.

Commissioner Walker compared tax revenue budgeted for fiscal year 2004-05 and fiscal year 2005-06 which reflected a \$2,758,577 increase.

## **FINANCE DEPARTMENT**

Finance Director Julia Edwards discussed the following:

- Budget comparison table showing FY 2004-05 revenues as originally budgeted; final revised revenues; actual revenues received; and the variance
- Sales tax revenue tables for Fiscal Year 2004-05 and Fiscal Year 2005-06 through December 2005 explaining Sales Tax Article 40, 42, 44
- Estimate of hold harmless revenues - scheduled to end in Fiscal Year 2011-12
- Proposal from the State regarding Medicaid Relief - taking back Article 39 which is a 1 cent sales tax instead of County paying a portion of Medicaid - Counties would then have the option to enact an additional 1-cent sales tax to offset the reduced revenue
- 2004/05 Audit - Fund Balance - 7.68%
- Sales Tax Receipts Audit
- Possibly of extending audit contract for one additional year before bidding out services in order to possibly save cost if acceptable with Dixon-Hughes per Budget Director Thompson's recommendation

Budget Director Dennis Thompson noted caution in continuing to budget Hold Harmless.

The Board directed Finance Director Edwards to investigate the possibility of extending the audit contract for one additional year with Dixon Hughes and obtain audit preparation quotes from surrounding counties for comparison.

Commissioner Walker requested additional information from Director Edwards regarding services that were currently being done in-house pertaining to the audit.

## **Stokes County Schools**

Dr. Larry Cartner noted the following:

- Increases for proposed 2006-07 budget (from DPI 01-30-06)
  - Retirement - 6.82%
  - Hospital Insurance -\$3,854
  - Increase of \$11.00 for all local employees 82 positions=\$902.00
- Local Cost @\$125,000.00 for Governor's salary increase & hospitalization
- Discussed Local Supplement Increase by .5% = \$210,000.
- Discussed Local Positions Increased by 6 = \$240,000.
- Discussed TA Salary Scale Implementation = \$135,000.
- Discussed ADM Capital Fund Summary
- Discussed Supplement Summary 2004-05
- Discussed importance of education in Stokes County
- 54<sup>th</sup> largest system in the state (out of 115 systems)
- Over a \$300 deficient in local funding versus the state average

- Currently at state average in class sizes in elementary grades -two years ago below the state average
- Governor Easley's current focus - high school reform - more costly than recent elementary reform
- Presented graphs regarding 2005/06 final budget, final budget by categories, state budget, federal budget, local current expense budget and local capital outlay budget
- Anticipating a drastic deduction in federal allotments
- National push for 65% of funding going directly to classrooms
- Stokes County - 68-69% funding currently going directly to classrooms
- Local supplement is not an expenditure - it is an investment -large amount of employees reside in Stokes County
- Increase local positions to decrease class room size
- Currently 24 local positions - possibly in need of 6 additional local positions
- Implementation of years of experience scale for teacher assistants (100 positions)
- March 9, 2006- Board of Education work session - one topic - demographic study
- Explained lottery proceeds
- No new mandates received from the state at the current time
- Possibly of both Boards discussing school construction needs after Board of Education's work session on March 9<sup>th</sup>
- Stokes County changing - demanding more from education

Dr. Cartner concluded by requesting the Board to look at education as the top priority and fund it as such.

The Board discussed upcoming budgetary items, school construction, current building needs, ADM funding, SRO funding, deduction in exceptional children's program funding, current and future operating needs, federal/state funding, state programs that allow teachers to retire and return to the classroom, and funding allocated for 562 teaching positions.

Commissioner McHugh requested information regarding funding allocated for the 562 teaching positions.

Budget Director Dennis Thompson suggested the possibility of establishing a school finance committee with county and school staff to develop an inventory of financing for future school construction.

Budget Director Thompson noted the following initial inventory of revenue sources:

- General property
- School dedicated sales tax
- Public school building capital fund
- Lottery proceeds
- Special levy for schools
- Additional sales tax
- Other new revenue generators with earmarked revenues
- Debt service reductions.

Budget Director Thompson noted the following methods of financing for school construction:

- Pay as you go
- General Obligation Bonds
- Certificates of participation (COPS)

Commissioner McHugh suggested the possibility of a special session for mental health issues in Stokes County. Commissioner John Turpin suggested the possibility of a special session for economic development.

The Board discussed the need to hold special sessions for mental health issues and economic development during March.

Budget Director Thompson briefly discussed the following sections located in the budget manual:

- Social Services
  - Medicaid
- Health Department
- Other Human Service

- Mental Health - special session
- Sheriff's Department
  - Jail addition
- Emergency Services
  - EMS Write offs
- Other Public Safety
  - Animal Control - increase in calls
- Public Works
  - Long term objective - compactors at the solid waste centers
  - Vehicle Maintenance - underground tanks
  - Vehicle Maintenance - proposed garage
- Economic and Community Development
  - Economic Development- Special Session
  - Economic Development - Tourism
  - Sewer - Germanton Area
  - Proposed Walnut Cove Library Project
- Public Records and Services - Departments and Offices
  - GIS/Mapping - possible cost savings with flyovers
- Policy, Administration, Personnel
  - Group insurance for county employees
  - NCACC- BCBS to Cigna insurance
  - County Manager position
- Other Funds
- Statistics
- Miscellaneous

Following information presented by Budget Director Thompson, the Board set the following goals for the upcoming 2006/07 budget along with future goals and objectives:

#### **Goals for Budget 2006-2007**

1. Build undesignated Fund Balance
2. No new tax increase and no new fees
3. Set projected collection rate conservatively
4. Meet needs of the citizens (Within reason)
5. Be fair to the employees
6. Cost savings evaluation of group insurance for employees
7. Items that product income-Revenue Production
8. Work session for Mental Health issues and Economic Development
9. Educational needs
10. Capital Outlay-Life/Safety
11. \$ -0- growth budget-Look at mandates-Build Fund Balance
12. Education-Current Expense-School Construction
13. Have Budget Contingency
14. Be realistic and conservative on revenues projections
15. Separate the wants from needs
16. County Pride-The best County in the Piedmont and the state. Planning and funding these items to make our County outstanding.
17. County Manager's position

#### **Other Future Goals and Objectives**

1. Prepare a method for preparing for the loss of hold harmless revenue
2. Look for revenue production opportunities, such as Jail expansion if federal inmates housing can produce enough revenue to pay the debt service - Feasibility study for determining cost effectiveness of adding an addition to the jail
3. Long term objective - compactors at the solid waste centers
4. Prepare to remove tanks at County Garage
5. Extend sewer to Germanton area
6. Upgrade equipment and software for GIS/mapping
7. Evaluate Regional Sewer program and funding
8. Evaluate costs and losses incurred - Stokes Reynolds Memorial Hospital
9. Evaluate financing options for Pinnacle EMS Station

10. Establish School Finance Committee

Commissioner John Turpin presented information to the Board regarding directions being given by Planning inspectors to property owners, misunderstanding by property owners, and working with the citizens.

Budget Director Dennis Thompson presented an overview of the following information to the Board regarding the Fiscal Year 2005-06 Budget Valuations:

(1) TAXABLE PROPERTY	(2) TAX ADMIN. MAY 2005 ESTIMATE OF TAXABLE VALUES	(3) ESTIMATE UPON WHICH THE FY 05-06 BUDGET WAS COMPUTED	(4) TAX ADMIN. FEB. 2006 ESTIMATE
Real Estate	\$2,255,102,050	\$2,313,055,345	\$2,314,098,438
Personal Prop.	169,500,000	169,500,000	151,400,784
Motor Vehicles	330,000,000	330,000,000	320,000,000
Utilities	340,000,000	350,000,000	351,742,478
TOTAL	\$3,094,602,050	\$3,162,555,345	\$3,137,241,700

Director Thompson noted the following regarding the table:

- Compared to the Tax Administrator's May 2005 estimates (column 2), the FY 2005-06 budget estimates (column 3) are overstated by \$67,953,295.
- Current year property tax revenues for FY 2005-06 were overstated by \$388,842
- If correct, the amount of \$388,842 that cannot be substantiated by the Tax Administrator's estimates of values was included in the FY 2005-06 property tax revenue and was budgeted for expenditure
- This amount will not be budgeted as new revenue for the FY 2006-07 budget

Director Thompson requested the Board verify his discovery for accuracy.

The Board discussed the information presented by Director Thompson and directed Clerk to the Board Darlene Bullins to request a legal opinion from County Attorney Jonathan Jordan and an accountability opinion from Mr. Randy Brodd - Dixon-Hughes (Auditor) and return that information to the Board

Budget Director Thompson presented the Board with several opinions regarding preparation, policies and procedures for the upcoming 2006-07 budget.

Following discussion by the Board, the following recommendations were unanimously agreed upon:

- Authorize the Budget Director to make recommendations in every budget category with making a "spreadsheet" to reflect what was requested and what was recommended
- Possibly using a computer to reflect changes to spreadsheet as changes occur projecting on a screen
- Tell the Budget Director not to recommend and add a cost of living adjustment. The Commissioners will give this matter initial and final consideration when they deliberate on the final budget
- Commissioners will meet any Department Head who disagrees with the Budget Director's recommendation
- Complete notebook for Commissioner McHugh along with a floating copy for other members to have during budget work sessions
- Commissioners will review proposed budget calendar and make recommendations for budget work sessions and public hearing date

The Board concluded the Budget Retreat discussing the urgent need for special sessions for mental health issues and economic development.

The Board directed the Clerk to the Board to look at possible dates for both special sessions with mental health special session being first.

Chairman Inman concluded by expressing his appreciation to those in attendance.

#### **ADJOURNMENT**

There being no further business to come before the Board, Chairman Inman entertained a motion to adjourn the Budget Retreat. Commissioner McHugh moved to adjourn the Budget Retreat. Commissioner John Turpin seconded and the motion carried unanimously.

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**Darlene M. Bullins**  
Clerk to the Board

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**J. Leon Inman**  
Chairman