

County Manager Rick Morris presented the following format for today's planning

session:

- Current Revenues & Expenses / Sales Tax Finance Director
- Summary of Mid-Year Budget Execution Review County Manager
- Projected Revenue Shortfalls / Expenditure Increases County Manager
- Budget Issues to be Resolved County Manager
- BOCC Guidance for FY2012/13 Budget Development Chairman /BOCC
- Wrap-Up/Adjourn..... Chairman /BOCC

Finance Director Julia Edwards discussed the Financial Report as of January 31, 2012

which was given to the Board prior to the planning session:

- Total Available Cash = \$23,758,017.41
- Total ad valorem taxes, prior year tax, etc. collected as of 01/31/2012 = \$19,510,812.54
- Collections of taxes this year compared to last year at this time is slightly higher
- Other Taxes and licenses as of 01-31-2012 = \$1,288,131.94
- Revenues from the State for DSS and Health Department are two months behind
- Sales tax revenue represents revenue received as of 11-30-2011
- Hold Harmless (\$2,183,691.75) was not allocated this year
- Register of Deeds and Inspection Fees this year compared to last year at this time are slightly higher
- EMS Ambulance Fees are up this year
- Investment Income is not doing very good due to the interest rate
- Received information at a meeting last week that interest rates will probably not be increased anytime soon though the economy is slowly coming back
- Looking at moving funding into Capital Management to earn more interest, presently receiving .12% interest, will increase to .24% and still be able to get funding if needed
- Funding will be moved in March 2012
- Expenditures are holding about the same as last year
- Still doing quarterly reviews to keep spending down

Commissioner Walker confirmed with Finance Director Julia Edwards that the county is currently holding its own.

Vice Chairman Inman noted that the average selling price in the housing market continues to decrease and most of his clients are foreclosures.

Commissioner Jones noted at a recent Economic Development meeting in Kernersville, an economist stated that some things were getting some better, but with the big picture and all things considered, it will take 30 years with all things equal. Commissioner Jones noted that

this Board must stay as frugal as possible.

Vice Chairman Inman stated that there was some talk that banks may loosen credit some which will help sales; banks have already started with motor vehicles.

Commissioner Booth noted sales tax has increased slightly over the past few months.

Commissioner Walker stated that it is very fortunate that the County has been very frugal during the past years which increased the Fund Balance in order to be able to build schools.

The Board discussed long term investing with Finance Director Edwards.

Finance Director Edwards noted that with long term investing, the funds are tied up and unavailable if needed.

Director Edwards noted the following:

- General Statutes restrict certain types of investment, it must be triple A rating, commercial paper, treasury bonds, or capital management
- CD rates are not doing any better at the current time

Commissioner Booth suggested looking at taking part of the funding and investing in possibly a CD for a better return on the investment.

County Manager Morris agreed it would be a good idea to talk to Financial Advisor Doug Carter about long term investments.

Finance Director Julia Edwards discussed the Debt Schedule as of November 28, 2011 which was given to the Board prior to the planning session:

- Debt was issued in the amount of \$18,968,911 for Popular Springs Elementary School and Southeastern Middle School
 - By obtaining the QSCBonds for the project, the County will save approximately \$12,183,896.03 in interest payments
 - By obtaining the QZABonds for the project, the County will save approximately \$36,195,394.48 in interest payments
 - Normally when a capital lease for vehicles goes off, there is another one going on to purchase other needed vehicles
 - Current bond rating: Moody Rating = A1 and Standard & Poor's Rating = A+
 - GO Bonds will go off in 2018

- Summary of Debt:
 - General Obligations Bonds = \$9,809,850
 - Private Placement = \$36,195,394.48
 - State Revolving Loads = \$433,262.23
 - Capitalized Leases = \$1,330,078.55
 - Total Debt = \$47,768,585.26

Commissioner Walker commended Commissioner Booth for suggesting the County look into QSCBonds and QZABonds for financing the new elementary school and renovations/new construction at Southeastern.

Finance Director Edwards noted that the County has recently received information that QSCBonds are available again.

Commissioner Walker suggested the County look into possibly acquiring QSCBonds for the Lawsonville project scheduled for 2013.

The Board discussed doing the Lawsonville project sooner in order to save interest.

Commissioner Jones noted the Board really needed to think about going into debt sooner than scheduled if the Bonds will not cover all the cost.

Commissioner Booth confirmed with Manager Morris that the four cent tax includes the Lawsonville renovation/construction project scheduled for 2013.

Vice Chairman Inman questioned what the county's debt ratio currently was.

Manager Morris stated that the county's debt ratio is 1.6%.

The Board unanimously agreed to direct Manager Morris to investigate the possibility of using QSCBonds for the Lawsonville project.

Commissioner Walker confirmed with Manager Morris that the four cent tax covers all the school construction projects that have been approved including the Nancy Reynolds project and the community college project.

Manager Morris noted the following:

- Debt model will pay for all approved school construction projects, community college and hopefully build a fund balance
- The model carries a fund balance for variations in revaluation, lottery funding, etc.
- If everything goes well and there becomes excess funding in the fund balance, it can be used for further construction projects or to pay the debt off
- Once the debt is paid, the tax could remain for future construction projects or could be eliminated
- If the tax remained, you could possibly pay as you go for future construction projects

Commissioner Booth noted that there are other schools that will need renovations in the future.

The Board discussed mandates that are passed down from the State.

Vice Chairman Inman urged the Board to stay in contact with State Legislators and stay aware of state issues.

The Board discussed the impact to the County if the State ever transferred the road maintenance to the counties.

Commissioner Walker stated that he depended on Finance Director Edwards and Budget Officer/County Manager Morris to keep the County on good ground financially and to make the Board aware of any issues.

Director Edwards noted that the lottery funding has decreased this year and have only received \$162,589 through January 2012.

The Board discussed the lottery funding and how it is calculated for the counties.

Chairman Lankford directed Finance Director Edwards to get the exact calculation for the lottery funding.

Director Edwards noted that the model projects the county receiving approximately \$500,000 from lottery funding which can be adjusted.

Finance Director Julia Edwards provided the Board with an updated Debt Model prepared by DEC which includes all the new debt.

Finance Director Edwards provided the Board with county sales tax history since Fiscal Year 2004-05.

Finance Director Julia Edwards discussed the following regarding Fiscal Year 2011-12 Sales Tax (through December 2012):

2011-12 December Sales Tax

- General Fund Sales Tax was \$277,089.16 which is \$28,314.97 over F/Y 2010-11 December collections
 - Collection of budget is 54.26%
- School Sales Tax was \$110,136.58 which is \$12,204.26 over F/Y 2010-11 December collections
 - Collection of budget is 53.23%
- Fire Funds Sales Tax
 - King Fire Fund \$3,766.44 which is \$332.28 over F/Y 2010-11 December collections
 - Rural Hall Fire Fund \$753.20 which is \$77.27 over F/Y 2010-11 December collections
 - Walnut Cove Fire Fund \$2,199.61 which is \$144.52 over F/Y 2010-11 December collections
 - Service District Fund \$17,506.40 which is \$2,039.12 over F/Y 2010-11 December collections

2011-12 November Sales Tax

- Total Sales Tax collection for December was \$411,451.48 which is \$43,112.43 over F/Y 2010-11 December collections
 - Collections of all budgets is 54.40%
- 50% of the Fiscal Year Budget is completed
- Over all collections for 2011-12 is \$2,390,039.06 which is \$244,170.29 over 2010-11 F/Y collections thru December
- Sales taxes projections were slightly decreased in the Fiscal Year 2011-12 budget
- Currently, sales taxes are coming in slightly over budget for Fiscal Year 2011-12 which could change at anytime

The Board discussed the sales tax projections and current revenue.

Vice Chairman Inman commended Manager Morris for the quarterly reviews which help to continue to increase the Fund Balance.

Vice Chairman Inman noted one of the County's biggest challenges will be the decrease in property taxes when the 2013 Revaluation is completed, which will affect the next four years following revaluation.

The Board discussed the upcoming 2013 Revaluation/revenue neutral and the loss of Hold Harmless.

Vice Chairman Inman noted that there would be a lot of appeals.

County Manager Rick Morris presented the following information for the Board to review before the next planning session:

Summary Mid-Year Budget Execution Review

- Department heads are efficiently managing their budgets, which are lean
- Mid-year review produced minimal recoupment of unspent funds
 - Exact amount was \$54,255.00 added to contingency line item
- Third quarter review should produce additional recoupment of unspent funds

Projected Revenue Shortfalls / Expenditure Increases

- Revenues
 - No “hold harmless” this year
 - Projected decrease in property values in 2013/14 budget
 - Fees related to construction making slow comeback, examples being Register of Deeds, Building Inspections / permits and Environmental Health fees.
 - Interest income from investments projected to remain low through 2014 based on recent Fed announcement on interest rates
 - Number of SRO officers requested from school system will impact revenues
 - New Jail revenue for housing misdemeanors
- Expenditures
 - Employee health and dental insurances projected to go up
 - Will be meeting with insurance provider next week to start planning for next year
 - Employee retirement contribution down slightly this year and will increase again next year

The Board briefly discussed increased premiums for health and dental, continuance of paying full premiums for employees, new health care requirements, increased county retirement contributions, new jail reimbursement for housing misdemeanors, and loss of hold harmless along with a decrease in property values in 2013/14 budget.

Budget Issues to be Resolved

- Payment plan to pay working capital obligation to Baptist Hospital still not defined
 - Paying \$10,000 per month
- Awaiting feedback on “Assistance to Firefighters” grant for funding of communications upgrade

- Some places (King Fire Department) have been notified that they would not be receiving any funding
 - Final audit results from Stokes-Reynolds Hospital
 - Also awaiting final working capital calculation from transition to Pioneer Health Services
 - Matching funds requirement for sewer extension to Forsyth Tech Community College site
 - Meeting with Pilot View scheduled for February 23rd
- The Board briefly discussed the working capital obligation to Baptist Hospital and agreed

to wait until notification was received Baptist.

BOCC Budget Guidance

- Budget guidance needed from BOCC on the following areas:
 - Property tax increase; yes or no
 - Cost of living allowance for county employees
 - Source of matching funds if needed sewer extension to community college
 - Sewer fund
 - Unspent funds from Forsyth Tech / Nancy Reynolds projects
 - Capital reserve account for Forsyth Tech
 - Capital projects, county wide will be discussed at the next meeting

Manager Morris noted that Public Works Director Mark Delehant is researching compactors at selective sites which would eliminate purchasing expensive garbage trucks.

Chairman Lankford questioned if the Board needed any further information from Manager Morris before the next goals planning meeting.

The Board briefly discussed SRO officers at the schools along with shortfalls being projected for the schools.

Chairman Lankford noted that North Carolina is among 9 states that will be receiving additional funding from a federal grant (over \$500 million).

The Board briefly discussed the current school expense funding approved = \$10,194,063 in the 2011-12 Budget.

Commissioner Walker requested Manager Morris to try to get some preliminary budget information from the school system for the next meeting.

Vice Chairman Inman requested the Manager to get ADM information from the state for

the next meeting.

Commissioner Walker questioned if the county was involved in any maintenance savings program like the school system.

Manager Morris responded that the County is currently not enrolled in any programs.

Commissioner Walker requested Manager Morris to research these types of programs for possible county participation.

Commissioner Walker noted the need to evaluate the effectiveness of nonprofits that are being funded by the County and to possibly look at funding based on performance.

The Board agreed with Commissioner Walker's comments regarding the effectiveness of the non profits.

Commissioner Jones noted that by looking at nonprofits, it could reveal overlaps of the same services provided by more than one nonprofit and possibly urge those to combine resources.

Adjournment

Chairman Lankford noted the next Goals Planning Session is scheduled for Wednesday, February 29, 2012 at 10:00 am.

There being no further business to come before the Board, Chairman Lankford entertained a motion to adjourn the meeting.

Vice Chairman Inman moved to adjourn the meeting. Commissioner Jones seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman