

STATE OF NORTH CAROLINA )  
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COUNTY OF STOKES )  
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OFFICE OF THE COMMISSIONERS  
STOKES COUNTY GOVERNMENT  
DANBURY, NORTH CAROLINA  
JUNE 5, 2012

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Budget Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Tuesday, June 5, 2012 at 3:00 pm with the following members present:

Chairman Ernest Lankford  
Vice-Chairman J. Leon Inman  
Commissioner Jimmy Walker  
Commissioner Ronda Jones  
Commissioner James D. Booth

County Personnel in Attendance:  
County Manager Richard D. Morris  
Clerk to the Board Darlene Bullins  
Finance Director Julia Edwards

Chairman Ernest Lankford called the Budget Work Session to order.

Commissioner Jones delivered the invocation.

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

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

#### **Planning Board Meeting**

Chairman Lankford noted that due to the Planning Board Meeting scheduled tonight, this would be a short Budget Work Session.

Chairman Lankford reminded the Board that the Planning Board did not make a recommendation for Special Use Permit #232 and tabled the item until the next Planning Meeting; therefore, this Board can't take any action.

The Board discussed the advertised Public Hearing and the fact that the item would need to be tabled due to the Planning Board not making a recommendation to the Board of Commissioners.

Vice Chairman Inman noted that the Chairman could announce after the Public Hearing that the item could not be discussed due to the Planning Board not making a recommendation to the Board of Commissioners and then the Board could take action to table the item.

### **Budget Work Session**

### **FY2012/13 Revenue Summary For Stokes County Board of County Commissioners (BOCC)**

Manager Rick Morris noted that Finance Director Julia Edwards would be giving the revenue briefing today and after that he had the answers to the questions from the last Budget Work Session.

Finance Director Julia Edwards presented the following information regarding revenues:

#### **Overview**

- Revenue projections are conservative due to slow economy and other unknowns
- Projections for FY2012/13 are based primarily on actual collections this year compared to budgeted amount
- Largest revenue problem is expiration of "Hold Harmless" funds this year
- Holding a strong County's fund balance is critical to reducing financial risk for the county
- School system sales tax revenues are up slightly but lower than earlier years

#### **FY12/13 Project Revenue Summary**

- Fund Balance Appropriated = 4.22%
- Other Revenues = 8.78%
- Sales and Services = 9.08%
- Permits and Fees = .67%
- Restricted Intergovernmental Revenues = 19.99%
- Unrestricted Intergovernmental Revenues = 4.50%
- Other Taxes and Licenses = 6.84%
- Ad Valorem Taxes = 45.92%

#### **Ad Valorem Taxes**

- FY 12/13 county value is \$3,640,708,445
  - General Fund-Estimated Ad valorem revenue is \$20,861,260 using a 60 cent tax rate at 95.50% collection rate

- New School /F. Tech Fund-Estimated Ad valorem revenue is \$1,390,751 using a 4 cent tax rate at 95.50% collection rate
- For comparison FY11/12 value was \$3,634,466,440
  - General Fund-The same collection rate of 95.50% was used, which produced \$20,825,493 in Ad valorem revenue
  - New School/F. Tech Fund-The same collection rate of 95.50% was used, which produced \$1,388,366
- The tax value increased \$6,242,005 from 2011/12
- General Fund-The Ad Valorem revenue increase \$35,767 from 2011/12
- New School/F. Tech Fund-The Ad Valorem revenue increase \$2,385 from 2011/12

Finance Director Edwards noted lottery funds have been appropriated in this fiscal year budget to cover the school debt payment and a small portion of the 4 cent tax will be used for expenses incurred regarding the proposed community college facility.

Manager Morris noted that not using the 4 cent tax this year will build up the four cent tax Fund Balance and that the model is designed to stay ahead of the payments.

Finance Director Edwards noted the choice was made to appropriate lottery funds for school debt payment in order to use the funds in case the State decided to freeze the funding.

Commissioner Walker confirmed the four cent tax covers the debt associated with the designated school construction/renovation projects along with the construction of a community college facility.

Manager Morris noted the four cent tax can only be used for the designated school construction/renovation projects/construction of a community college facility and the Board of Commissioners would have to decide what to do with the four cent tax once loan payments for the designated projects are complete.

Manager Morris noted the model is designed to cover uncertainties such as the amount of lottery funding which varies each year; it is not designed to build a large Fund Balance.

Commissioner Booth noted that if the Fund accumulates a large Fund Balance; the Board could vote to pay the debt service or use it for another school project.

### FY 11/12 Sales Taxes

- Sales taxes are currently **\$155,294** ahead compared to last year as of March 2012
- Sales tax revenue estimates for 30 June 2012 are:
  - Article #39 - \$1,347,514 (budgeted amount \$1,200,000)
  - Article #40 - \$1,542,781(budgeted amount \$1,425,000)
  - Article #42 - \$360,396(budgeted amount \$325,000)
- Projected gain this year in combined sales tax revenue is **\$300,691** compared to last year
- This is an estimate based on historical data

### FY 12/13 Sales Tax Estimates

- Recommended FY 12/13 budget increases sales tax estimates as shown below
  - Article #39 from \$1,200,000 to **\$1,275,000**
  - Article #40 from \$1,425,000 to **\$1,450,000**
  - Article #42 from \$325,000 to **\$350,000**
- These are conservative estimates based on actual collections experienced during this budget year and historical data

### Other revenue items of interest

- Home Health fees are now in the black and projected to stay there for FY 2012/13
  - As of April 2012, revenues to expenditures were \$141,182 in the black
- Recommended budget uses projections from the State of N.C. for Health Dept and DSS
- Budget includes pass-thru funds for School Nurses in Health Department which last year
- The FY 2012/13 final Hold Harmless payment is estimated by the NCACC to be \$2,265,294.

Commissioner Walker confirmed with Finance Director Edwards that the Hold Harmless payment is based on a State formula.

Finance Director Edwards noted that any un-appropriated Hold Harmless revenue would go back into Fund Balance on 06-30-2013.

- Recommended appropriation of \$1,509,736 is for the following:
  - \$1,261,260 NC Baptist Hospital working capital
  - \$148,127 appropriation to CenterPoint for implementation of the wavier
  - \$100,349 for equipment
- Budget includes a new revenue line item for IRS interest refund for QZAB / QSCB
- Investment income was reduced, these rates are controlled by the FEDs
- Miscellaneous revenue includes the payment from City of King \$225,000 and Town of Walnut Cove \$75,000 in FY 2012-13 and \$75,000 in FY 2013/14 for the radio upgrade

Finance Director Edwards noted that the Town of Walnut Cove had requested to reimburse the County for the radio upgrade equipment that will be purchased for the Town in two payments

(F/Y 2012/13 and F/Y 2013-14).

Chairman Lankford questioned why the Town of Walnut Cove requested to reimburse the County in two payments.

Manager Morris responded:

- The Town was the only entity that requested two payments
- It is up to the Board of Commissioners to approve or disapprove the payment schedule
- Equipment is being purchased by the County to obtain a better pricing for everyone involved – County, City of King, Town of Walnut Cove, Fire Departments, etc.
- Trying to be good neighbors and assist if possible the Town with their request

The Board discussed the request from the Town of Walnut Cove.

Vice Chairman Inman noted the need to charge interest since the County would be borrowing the funds and paying interest.

Finance Director Edwards noted that interest could be added to the payment.

Vice Chairman Inman noted that using E911 Funding for part of the purchase would be using the entire county's E911 Funds which would pay the interest for the Town of Walnut Cove.

Commissioner Jones agreed that the county should look into charging interest.

The Board stated that they would like to work with the Town, but was unsure about allowing a payment schedule without charging interest since the County is paying interest.

Commissioner Booth noted that CenterPoint has offered to pay interest regarding their request for additional funding (basically a loan) for the implementation of the waiver if legal.

Finance Director Edwards noted that she had called the Local Government Commission regarding request from CenterPoint and as far as they are concerned they have no issues; however, DHHS has a problem with CenterPoint wanting to borrow funds and they don't think it is legal.

Finance Director Edwards noted that a final decision about the borrowing of funds has not be made by DHHS.

Chairman Lankford confirmed with Manager Morris that the County would be buying the

equipment for the Fire Service District.

Commissioner Walker confirmed with Manager Morris that the County is purchasing the equipment for the Fire Service District due to this being a one-time change beyond their control and the funding is not in their Fund Balance; fire tax would have to be increased drastically to cover this large purchase.

- Proceeds from Financing includes: (2) ambulance remounts \$185,000, (8) patrol cars \$196,000 and radio upgrade \$2,000,000

Commissioner Walker noted an increase in the cost for the ambulance remounts and the patrol cars.

Manager Morris noted the amounts for the patrol cars are state contract prices and the remounts and radio upgrade are estimates and hopefully will be cheaper.

Commissioner Booth noted that Ford has completely changed the patrol car cruiser which has increased the price of each vehicle.

Manager Morris noted that the current radios, cages, and front deer guards will be interchangeable with the new Ford vehicle.

Commissioner Booth confirmed with Manager Morris that if the County had decided to go with a Dodge or Chevrolet, the county's current equipment would mostly likely not be interchangeable.

Manager Morris noted that the County has one Dodge which is not liked by the employees.

Manager Morris noted that Ford got with the users and figured out what the requirements were before designing the police cruisers so that equipment from the Crown Vics would be interchangeable.

Manager Morris noted that he and EMS Director Monty Stevens talked to representatives from Mercedes several months ago about trying Sprinters for ambulances; however, they

do not have currently have one that will work, but could possibly have something that will work in early 2013. Manager Morris noted that if Mercedes does get something that will work, the County may try a couple due to better gas mileage.

- Budget includes an Electronic Management Program revenue increase from a grant to purchase equipment for Solid Waste
- Health Department Title XIX increased is due to building project
- Budget recommendation is for appropriation of \$2,000,000 from General Fund balance
- Recommendation appropriates \$1,997,397 of Lottery proceeds for payment of school debt
- Transfer from New School/F Tech Fund appropriation is reduced due to use of lottery funds for new school debt. The total transfer amount of \$335,986 consists of \$125,846 for debt payment Early College, \$92,440 operating expenses for Early College, and \$117,700 for operating expenses for Poplar Springs Elementary School
- Danbury Water Fund will increase rates to remain financially sound. These rates will be effective October 1, 2012. This will give the County time to complete a water quality improvement cleaning process.

Commissioner Booth suggested that the rate increase not be implemented for the Danbury Water System until the water is clear.

Commissioner Walker confirmed that the Sewer Fund is separate from the Danbury Water Fund.

Finance Director Edwards noted that the Sewer Fund was stable and did not need a rate increase at this time.

- Health Department revenues reflect an increase in fees for FY 2012-13 approved by the Health Department Board, which will require approval in this budget

Manager Morris noted staff would be providing the BOCC with a schedule of the proposed fees.

Commissioner Booth, Board of Health member, noted that the fee increases were very minimal.

- Recommended budget increases Impoundment fee from \$15 to \$25 per day

Manager Morris noted the following:

- Have not been raised in several years
- \$25 to \$30 the range with other surrounding counties

- Impoundment Policy has wording that allows the individual, if determined to be a victim, to be exempt from paying the daily charge

### Revenue Adjustments

- Below are areas where revenue projections could be increased by BOCC
  - Ad valorem collection rate
  - Hold Harmless for non-recurring expenses
  - Wine and Beer revenues
- Recommendation is to not increase any of these projections and to use any excess revenues that occur to offset other revenue shortfalls or to increase the County's General Fund Balance

Manager Morris presented the BOCC with a list of the recommended fee increases for the Health Department, Home Health, and Environmental Health.

The Board briefly reviewed the recommended fee increases.

Chairman Lankford requested more information regarding the increase in the Food Service Fee.

Manager Morris responded:

- New Food Service Establishment requires at least four visits before the permit can be issued and does take a considerable length of time to complete

The Board briefly discussed the current well permit fee and tattoo fee.

Manager Morris provided the BOCC with the following information requested at the last Budget Work Session:

#### **Public Works – Painting Vehicles**

- Per Vehicle Maintenance Supervisor Elwood Mabe estimates between \$600 and \$1,000 depending on if any damage was repaired
- Only have five vehicles that are worth painting, the others are in too bad of shape to spend funding for painting
- Have contacted Surry and Forsyth Tech Community Colleges, but have not received an answer yet

Commissioner Booth questioned if there are any vehicles in the impoundment lot that could be transferred to Public Works. Manager Morris responded that there were none at the moment, but will continue to look for one.



## Holiday Leave

Manager Morris provided the BOCC with the following information:

- Sheriff Department's accrued holiday total was 10,103 hours as of 06-30-2011
- The balance as of 06-01-12 is 7,401 hours
- The total hours were reduced by 2,702 hours
- \$54,465.98 (which includes mandatory 401(k) and retirement match) was spent to reduce the holiday hours
- Fiscal Year 2012-13 budget also includes an additional appropriation of \$20,000 in part time salaries to reduce the total holiday time
- Very hard to determine exactly how many hours were implemented by hiring other officers with the \$20,000 due to employees are mandated to use holiday time before using any other time
- The longer you wait to reduce holiday time, the payoff cost increases
- Will be looking at the additional appropriation to decrease holiday hours
- No other department received additional funding to reduce accrued holiday time
- County only has a couple of employees that have large balances
- Suggested to look into paying off some of the accrued holiday time
- Will continue to monitor the accrued holiday time
- Sheriff Marshall must pay a part timer to cover most of his employees who are using holiday time
- Reiterated that employees who accrue holiday time must use holiday time before using any other type of leave which reduces the holiday time balance
- Other departments who accrue holiday time do not have large balances

The Board discussed the holiday accrued time.

Chairman Lankford noted that his vision of decreasing holiday time was to allow the employees with large balances to take off time to exhaust the holiday time.

Manager Morris noted the following:

- In most cases, each time an employee takes off, an employee has to be hired to cover his/her position
- Some of the critical positions and management are the ones who have the larger balances and are normally not replaced when they take off
- Reiterated that the fastest way to decrease the balances would be to draft a policy to pay off a certain number of accrued holiday hours; it is cheaper now than it will be in 5-6 years.
- Feel the \$20,000 did what it was intended to do – it reduced holiday hours

## Daily Meal Reimbursement

Manager Morris noted the following:

- Under the IRS guidelines, reimbursement for day meals are taxable and would have to be paid to the employee through payroll
- There is no change with the reimbursement of meals while staying overnight, they are non taxable
- Lunches for meetings, work sessions, etc. are non taxable
- ED Director buys meals for clients which are considered working lunches – non taxable
- Have never seen public funds used for buying clients lunch, just wanted to make sure the BOCC was aware of this practice
- With the Board's approval, would like to implement a form that must be completed when meals are purchased for someone else (non taxable meals); this would be a good paper trail (working lunches considered as non taxable)

The Board had no issues with Manager Morris developing a form to track funds that are used to purchase meals for clients.

## Bonuses

Manager Morris stated that he would like to be exempted from receiving the bonus, if approved, which is scheduled for payment to employees in December 2012.

The Board had no issues with Manager Morris exempting himself from receiving the bonus.

## DSS – Fiscal Year 2012-13 Requests

Manager Morris noted the following:

- Received a letter from DSS Board Chair Jan Culler regarding the recommendation made by the County Manager regarding the DSS proposed budget.
- Would like for the Board of Commissioners to reconsider the following three items that were not recommended by the Manager:
  - Staffing for part time clerical position which has been frozen since 07-01-11
  - Three vehicles to replace the oldest three vehicles in the DSS Fleet
  - Replacement of carpet for the upstairs in the DSS building
- Did not receive any new information that would cause me to change my recommendation for DSS
- Have requested Public Works to clean the carpet

Manager Morris requested direction from the Board regarding how he should respond to the DSS Board.

Chairman Lankford agreed the carpet can be cleaned and noted that he is not interested in

buying new cars or approving the clerical position for this year's budget.

Commissioner Walker stated the following:

- Agree to having the carpet clean
- Feels the county should purchase the cars especially since the county could receive grant funding
- Can allocate county funding and get 4 Fusions and a van for less than one Sheriff's Department vehicle
- County is allocating funding in this budget to purchase Sheriff's cars and ambulance remounts, don't understand why we wouldn't want to take advantage of grant funding
- Need to purchase the cars for DSS and then, when applicable, transfer the other cars to other departments; eventually this could get rid of the low gas mileage vehicles like the old Crown Vics
- Most counties are buying the vehicles because of the better fuel mileage and new vehicle with maintenance
- County's cost for the requested DSS vehicles would only be \$24,000
- Purchasing the cars is also a morale builder, good for the department
- DSS has employees who must travel at night and need a dependable vehicle
- Bet the Sheriff might give up one of his cars for the 4 Fusions and one van for DSS
- Sheriff actually took off time to go with his wife who had to stay overnight because he was unsure of the vehicle getting her there and back
- This is actually not a grant, it is a reimbursement that might go away

The Board discussed the requests that were not recommended by the Manager.

Commissioner Jones noted:

- Agrees the carpet should be cleaned
- Realize that DSS does pass down computers that are purchased with Federal dollars
- Can't go completely with the vehicle purchases could possible go with one or two

Manager Morris noted the BOCC can think about these issues until the next Work Session.

The Board briefly discussed the staffing for the part time clerical position that was unfunded in last year's budget.

Commissioner Booth noted the position has been vacant since July 1, 2011 and DSS has not requested to come before the BOCC to reinstate this position; my question would be is this a critical position?

Manager Morris stated that his position regarding personnel requests was not to do anything that was not an emergency.

Commissioner Walker noted that the following information was provided to the DSS

Board members:

- Not having a person in a certain position was creating a hardship on a DSS employee; this employee was having to do more than what was reasonably expected
- The employee was doing part of the duties of this part time position

Commissioner Walker suggested that the BOCC might want to see how critical this position really is for DSS.

The Board directed the Manager to respond to Ms. Culler that the Board would consider the requests during the budget process.

### **Equipment and Personnel Requests**

Manager Morris presented the BOCC with the following:

- A detailed list of equipment that was requested by departments
- A detailed list of reclassifications and new positions that was requested by departments
- Charts comparing fiscal years 2009/10; 2010/11; 2011/12/ and 2012/13
- Chart detailing 2012-13 Budget percentages:
  - Personnel Services = 29.66%
  - Contractual Services = 22.51%
  - Debt Service = 10.37%
  - Materials and Supplies = 6.51%
  - Capital Outlay = 6.19%
  - Outside Agencies = 24.76
    - Library = 1.03%
    - Mental Health = 1.15%
    - School – Current Expense = 21.56%
    - Special Appropriations = 1.02%
- Chart detailing 2011-12 Budget percentages:
  - Personnel Services = 33.31%
  - Contractual Services = 22.80%
  - Debt Service = 7.59%
  - Materials and Supplies = 6.92%
  - Capital Outlay = 1.00%
  - Outside Agencies = 28.38
    - Library = 1.20%
    - Mental Health = .98%
    - School – Current Expense = 24.97%
    - Special Appropriations = 1.23%

Budget.

Manager Morris noted the BOCC could review the information provided by staff for further discussion at the next Budget Work Session.

The Board requested additional information regarding the cost of the vehicles for the Sheriff's Department and the EMS Remounts.

The Board briefly discussed the equipment and personnel requests not recommended by Manager Morris.

### **Title XIX Funding**

Commissioner Booth questioned if the Title XIX Funding is in a separate fund?

Finance Director Edwards responded no; it is in the General Fund.

Commissioner Booth questioned if this funding should be in a separate fund so that the BOCC and the Health Department would know exactly how much is in the fund?

Commissioner Booth noted the need to know the exact amount in the Title XIX Funding to make sure there is sufficient funding for the request in the recommended budget and questioned if the State could request the funding back?

Finance Director Edwards responded:

- If the Health Department could give her a balance at the end of 06-30-12, it can be separated from the County's Fund Balance
- This funding is a Medicaid settlement that is due to the Health Department each year
- State has never requested this settlement back
- Funds are in the County's Fund Balance
- Does not know what the exact amount is in the fund
- This funding applies to several programs
- Can restrict part of the Fund Balance if the exact amount is known
- State used to keep the balance, then stopped several years ago
- Did not know that the State had stopped tracking the amount
- Do not have the information to track the funding
- Understand the Health Department has a balance for the Title XIX Funding
- Funding goes directly into the County's Fund Balance each year

Vice Chairman Inman questioned since the funds can only be used for the Health Department, shouldn't they be separated?

Manager Morris suggested setting up a specific account to make sure there is sound tracking of the funds that are coming in and going out.

Vice Chairman Inman agreed with Manager Morris that the funding needs to be in a separate account.

Commissioner Walker suggested the building be built big enough to move Home Health out of the DSS building. Commissioner Walker noted that DSS has mentioned the need for more space.

Manager Morris noted the settlement comes in October each year.

The Board unanimously agreed to have the Title XIX Funding separated from the Fund Balance.

Finance Director Edwards noted this should not affect the Fund Balance this fiscal year.

Manager Morris noted that staff would reconcile the amount with the Health Department and set up a separate account for the Title XIX.

The Board also discussed the following:

- Using funding from Capital Reserve towards the purchase of the E911 mandatory upgrade
- Various vehicles requested by other departments
- Maintenance to the Regional Sewer System
- Computers for Walnut Cove Senior Center – no county funding
- Cost of patrol cars and EMS remounts

Vice Chairman Inman noted that he had received information that Senate Bill 433 was back on track.

Vice Chairman Inman questioned the Board regarding the possibility of changing the Planning Board Agenda if there were a lot of people to speak and let the other two small rezoning

cases be heard?

The Board briefly discussed changing the agenda but decided it should not be changed due to the Agenda already being published.

**Adjournment**

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

Vice Chairman Inman moved to adjourn the Budget Work Session. Commissioner Booth seconded and the motion carried unanimously.

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

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**Ernest Lankford**  
**Chairman**