

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
MARCH 5, 2013

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Goals/ Budget Guidance Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Tuesday, March 5, 2013 at 10:00 am with the following members present:

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

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

Chairman Ernest Lankford called the Goals/Budget Guidance Work Session to order.

Vice Chairman Booth 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.

Goals/Budget Guidance Work Session

Chairman Lankford noted the following Agenda will be used for all the scheduled Goals/Budget Guidance Work Sessions:

- Presentation of Financial Report as of January 31, 2013 and Debt Service Schedule
- Presentation of Fiscal year 2012-13 Sales Tax Revenue as of December 31, 2012
- Summary of Mid-year Budget Execution Review
- 2013 Tax Revaluation Update
- Budget Issues to be Resolved

Finance Director Julia Edwards presented the Financial Report as of 01-31-2013:

- As of 01-31-2013, it is 58.33% of the year
- Total Available Cash = \$23,518,266.03
- Ad Valorem Taxes = \$19,413,966.99/93.06% collected
- Prior Year Taxes = \$610,112.34/90.39% collected
- Other Taxes and Licenses = \$1,526,583.36/46.78% collected
- Intergovernmental Revenues = \$3,170,285.89/45.5% collected
- Other Intergovernmental Revenues = \$2,513,846.23/56.76% collected
- Permits and Fees = \$190,652.68/61.88% collected
- Other Revenues = \$1,441,694.09/42.54% collected
- Investment Earnings = \$19,456.21/55.59% collected
- Miscellaneous Revenues = \$62,168.51/15.24% collected
- Debt Issuance = \$2,056,000.00/86.35% collected
- Total Revenues = \$31,147,591.81/65.46% collected
- Sales Taxes Revenues are two months behind
- Total Expenditures = \$22,394,108.77/50.35% available
- Revenues over expenditures \$8,753,463.04 as of 01-31-2013

Chairman Lankford opened the floor for discussion.

Chairman Lankford confirmed with Finance Director Edwards that Ad Valorem Taxes are 93.06% collected as of January 31, 2013 with a 95.50% budgeted collection rate.

Commissioner Walker confirmed with Finance Director Edwards that the collection of Ad Valorem Taxes and Sales Taxes are slightly higher than at the same time last year.

Commissioner Walker confirmed with Finance Director Edwards that the County has received \$8,753,483.04 more revenues than expenditures as of 01-31-2013 which is due mainly to the January deadline; most utilities taxes are paid in January.

Commissioner Inman confirmed with Finance Director Edwards that the sales tax revenues are always two months in the rear.

Chairman Lankford confirmed with Finance Director Edwards that this financial report does not reflect the 4 cent New School/F. Tech Fund and this information is General Fund only.

Commissioner Walker confirmed with Finance Director Edwards that revenues are coming in fairly well.

Finance Director Edwards also noted the information as of 01-31-2012 included Title XIX Funding which is now in a separate Fund.

Finance Director Edwards noted:

- Have received information that indicates interest rates will not be increasing until the Federal Government sees a decrease in the unemployment rate
- Currently not earning much revenue on investments

Commissioner Inman confirmed with Finance Director Edwards that the County's bond rating is Moody's (A1) and Standard and Poor's (A+).

Manager Morris noted the Tobacco Buyout Settlement Payment to farmers will cease in 2014.

Chairman Lankford stated that the buyout will take out approximately \$40 million out of Stokes County.

Commissioner Walker stated the buyout could cause some challenging times for the farmers in Stokes County.

Commissioner Inman noted the elderly population has used the buyout payments to pay their taxes and with 2014 being the last year, could cause the collection rate to drop.

Commissioner Inman noted that at some time, the County must reduce their reliance on the ad valorem tax.

Commissioner Walker noted:

- This year's upcoming budget will take a hit from ad valorem taxes with the revaluation
- Have learned from several workshops, that a county can't sustain low taxes with basically residential in the county
- You will definitely have to increase taxes unless you get businesses
- Business is the "economic engine" that keeps the taxes from increasing
- You will see taxes go up, it is not a matter of if, it is just when
- Otherwise you will have to drastically cut services at some point
- Neither choices are pleasant

Commissioner Jones noted:

- This also stresses the infrastructure (schools, emergency services, etc.)
- Relying on any revenue is just not wise
- Because of the current economic situation in the county, there is not a lot that can be done
- Maybe when sewer is installed in the Meadows area, there will be some economic growth there

Commissioner Inman noted:

- Very incredible how the citizens have stepped up to the plate and paid their taxes

Vice Chairman Booth noted:

- Very good observation and must remember residential growth increases the need to build new schools
- Agree with Commissioner Inman's comments regarding how the citizens have paid their taxes

Commissioner Walker noted that the County must have vision to look down the road to see what must be done now to be able to continue to provide the needed services to the citizens of Stokes County.

Commissioner Walker commented:

- Feels this Board must be able to say more than we have saved a cent on the tax rate
- Must be able to explain, for example, what we are doing about economic development in Stokes County
- Must be able to plan for the future

Commissioner Jones responded:

- Agree with Commissioner Walker that the County must look ahead, but we must worry about today and the balance that must be there
- There are so many elements out of our control, but must always continue to look forward
- Can't help what the economy is doing
- Have plenty of residential homes, need the business
- Must try to obtain a balance and continue to move forward
- Incredible how far the County has moved forward in the past two years, new schools, community college project, etc.
- Fund Balance continues to grow

Vice Chairman Booth responded:

- Feels the County is moving forward
- New schools, community college project underway, grants being awarded, etc.
- Agree with Commissioner Jones, the county has and is moving forward

Commissioner Walker commented:

- Commended the business plan that Commissioner Jones is currently working on that will add to the economic growth of the County

The Board discussed the effects of residential growth on the county: building schools, emergency services, solid waste services, social services and health services, etc.

Commissioner Inman pointed out that the key is there has to be a balance between all those factors.

Debt Services for Fiscal Year 2013-14

Finance Director Julia Edwards presented the Debt Service Schedule as of 01-31-2013:

Debt Description	Purpose of Debt	Years Left	FY 13-14 Payments		Total (P plus I)
			Amount (P plus I)		as of 06/30/13
Refinance/GO Bonds	West Stokes & Piney Grove	4	\$	1,518,700.00	\$ 6,585,900.00
PODS	Purchase for Early College	10	\$	110,507.77	\$ 1,044,713.23
Land Purchase	Popular Springs Elementary	15	\$	116,785.28	\$ 1,537,924.96
School Construction	Nancy Reynolds and Comm College	16	\$	657,460.00	\$ 17,723,992.50
QSCB *	Popular Springs and Southeastern	14	\$	1,781,828.54	\$ 26,727,428.18
QZAB *	Southeastern	14	\$	295,713.53	\$ 4,435,702.94
Total School Debt			\$	4,480,995.12	\$ 58,055,661.81
Capital Lease Pymt #1	EMS remounts and other equipment	2	\$	65,130.98	\$ 195,392.94
Capital Lease Pymt #2	New Roof and EMS Station	5	\$	48,664.00	\$ 283,324.00
Capital Lease Pymt #3	EMS/Sheriff Vehicles	3	\$	98,333.19	\$ 393,332.77
Capital Lease Pymt #4	E911 Equipment	3	\$	348,817.91	\$ 1,744,089.55
Total Capital Lease Debt			\$	560,946.08	\$ 2,616,139.26
Total County Debt Service			\$	5,041,941.20	\$ 60,671,801.07

* Note: QZAB and QSCB above payment includes the IRS interest refund. The IRS interest refund to is listed below. The total debt payment including IRS interest refund has to be budgeted, with the refund shown as a revenue to offset the payment.

	Total Payment	
	Tax Refund	after Refund
QSCB	\$ 728,847.22	\$ 1,052,981.32
QZAB	\$ 120,960.00	\$ 174,753.53
	\$ 849,807.22	\$ 1,227,734.85

Ms. Edwards provided the Board with a detailed listing of each purpose of debt.

Ms. Edwards presented the following information regarding the QSCB and QZAB Tax

Refund:

- Have received information that the Federal Government is considering eliminating the QSCB and QZAB Tax Refund
- If this does happen, the debt would have to be refinanced
- Finance Association is doing a resolution regarding the impact of this elimination
- Another issue is that the Federal Government does not want to offer the tax refund on any other debt

The Board discussed the impact of the elimination of the QSCB and QZAB Tax Refund.

Commissioner Walker commented:

- Very disturbing news regarding the QSCB and QZAB Tax Refund
- Thought this was a binding contract with the Federal Government
- Will affect the county's financial model
- Need to get in touch with our representatives
- Could cause a huge impact on the county's financial status
- Would be a big hit to several counties, not only Stokes
- Suggested talking to representatives during the already scheduled meetings regarding the sewer and water project

Commissioner Jones noted that there has been talk about eliminating the mortgage interest as a tax.

Commissioner Walker questioned Finance Director Edwards when the Board may know a definite answer regarding the elimination of the QSCB and QZAB Tax Refund?

Finance Director Edwards responded:

- Have not heard a specific date, just that there is talk about the issue

Chairman Lankford stated that he felt the County may have an answer by May.

Finance Director Julia Edwards presented the Sales Tax Revenue as of 12-31-2012:

General Fund

As of 12/31/12, we have collected \$111,804.42 over last year at the same time.
We are 62.05% collection of 2012-13 budget.

School Capital Outlay Fund

As of 12/31/12, we have collected \$38,043.30 over last year at the same time.
We are 56.34% collection of 2012-13 budget.

King Fire District Fund

As of 12/31/12, we have collected \$1,144.82 over last year at the same time.
We are 57.26% collection of 2012-13 budget.

Rural Hall Fire District Fund

As of 12/31/12, we have collected \$303.44 over last year at the same time.
We are 68.46% collection of 2012-13 budget.

Walnut Cove Fire District Fund

As of 12/31/12, we have collected \$699.80 over last year at the same time.
We are 63.54% collection of 2012-13 budget.

Service District Fund

As of 12/31/12, we have collected \$7,424.42 over last year at the same time.
We are 63.12% collection of 2012-13 budget.

Total Sales Tax Collected (Note: This is less the Hold Harmless to Cities)

As of 12/31/12, we have collected \$159,420.20 over last year at the same time.
We are 60.42% collection of 2012-13 budget.

Finance Director Edwards commented:

- Collected 113.74% of last year's budget, which means collections were higher than budgeted in the General Fund
- Sales Tax Revenue is slightly over compared to the same time last year
- These figures represent 50% of the fiscal year

Chairman Lankford opened the floor for discussion.

Commissioner Walker commented:

- Figures are very encouraging

Chairman Lankford commented:

- One of the increases from last year to this year is the new Sheetz in King

Commissioner Inman commented:

- With the addition of Sheetz brings the decrease in the Moms/Pops

County Manager Rick Morris presented the Midyear Budget Execution Review:

- Total amount recouped during the review = \$711,260
 - Budgets are very tight
- Major sources of recouped funding:
 - Baptist Hospital Settlement
 - Health Department lapsed salaries
 - Public Assistance – Medicaid, DSS
 - Juvenile Detention Services – Superior Court
- Will be doing another review in the third quarter

Vice Chairman Booth noted that departmental budgets are very lean and do not have extra funding to return.

Commissioner Walker confirmed with Finance Director Edwards that during this review, any budgets needing funding are addressed.

County Manager Rick Morris presented the 2013 Tax Revaluation Update prepared by Tax Administrator Jake Oakley. (Finance Director Edwards compiled the following Revaluation Estimated Tax Values for upcoming Fiscal Year 2013-14):

	Tax Value	Total Levy	Total Levy 95.50% Coll Rate
General Fund			
Est. Tax Value 13-14	\$ 3,566,891,654	\$ 21,401,350.00	\$ 20,438,290.00
Est. Tax Value 12-13			
Budget	\$ 3,640,708,445	\$ 21,844,251.00	\$ 20,861,260.00
Loss Value	\$ (73,816,791)	\$ (442,901)	\$ (422,970)
New School/F. Tech Fund			
Est. Tax Value 13-14	\$ 3,566,891,654	\$ 1,426,757.00	\$ 1,362,553.00
Est. Tax Value 12-13			
Budget	\$ 3,640,708,445	\$ 1,456,284.00	\$ 1,390,751.00
Loss Value	\$ (73,816,791)	\$ (29,527)	\$ (28,198)

King Fire District Fund

Est. Tax Value 13-14	\$ 451,837,038	\$ 293,695.00	\$ 280,478.00
Est. Tax Value 12-13			
Budget	\$ 448,645,812	\$ 291,620.00	\$ 278,497.00

Increase Value	\$ 3,191,226	\$ 2,075	\$ 1,981
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Rural Hall Fire District Fund

Est. Tax Value 13-14	\$ 87,344,116	\$ 56,774.00	\$ 54,219.00
Est. Tax Value 12-13			
Budget	\$ 90,222,108	\$ 58,645.00	\$ 56,006.00

Loss Value	\$ (2,877,992)	\$ (1,871)	\$ (1,787)
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Walnut Cove Fire District Fund

Est. Tax Value 13-14	\$ 328,696,806	\$ 164,349.00	\$ 156,953.00
Est. Tax Value 12-13			
Budget	\$ 340,897,781	\$ 170,449.00	\$ 162,779.00

Loss Value	\$ (12,200,975)	\$ (6,100)	\$ (5,826)
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Service District Fund

Est. Tax Value 13-14	\$ 2,096,157,332	\$ 1,362,503.00	\$ 1,301,190.00
Est. Tax Value 12-13			
Budget	\$ 2,130,008,152	\$ 1,384,506.00	\$ 1,322,203.00

Loss Value	\$ (33,850,820)	\$ (22,003)	\$ (21,013)
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Chairman Lankford opened the floor for discussion.

Commissioner Walker confirmed with County Manager Morris that the financial model did include a 5% reduction for the Revaluation.

Manager Morris noted the estimated loss in value provided by Tax Administrator Oakley is lower than previously projected.

Chairman Lankford noted that the figures could be affected by the E&R Hearings.

Commissioner Inman noted the total levy loss is estimated at \$481,775.

The Board discussed the loss of Hold Harmless for Fiscal Year 2013-2014.

The Board discussed revaluations of surrounding counties.

Commissioner Inman noted that the Winston Salem Triad area homes sales are up 25% in January 2013 compared to January 2012.

County Manager Rick Morris presented the following Budget Issues to be Resolved:

- QZAB/QSCB reimbursement in question
 - May need to refinance
- Revenue neutral calculation/revenue equivalent
 - (FY04/05 – 2 cent tax reduction)
 - Must include revenue neutral in the Budget Message this year due to Revaluation
 - Revenue equivalent – something to think about considering the 2 cent tax reduction in fiscal year 2004-05

The Board discussed the 2 cent tax reduction in the fiscal year 2004-05.

Commissioner Inman commented:

- Hindsight is always 20/20
- At that time, thought that was the right decision to decrease the taxes
- The economy was not the same at that time

Commissioner Walker commented:

- Very difficult budget that year with revenue neutral
- If had to do over, would have put more thought into it, would probably have stayed at 62 cents
- My objective is to find a tax rate that works and meets both current needs and reasonable projected needs for the future; set the rate and stick to it
- Don't lower it on good years and raise it on other years; find the rate that works
- The current 60 cents General Fund along with the 4 cents for New Schools/F Tech Fund seems to have been working so far
- Need to put more thought into the revenue equivalent concept
- Try to keep an open mind until decisions have to be made and then look at all aspects involved
- Would be a great concern for me and only at the last resort to increase taxes
- You must look at things realistic

Commissioner Jones commented:

- Remember attending a Board meeting several years ago where Bryan Steen stated that the taxes needed to be increased five cents, wasn't done
- Remember expressing concerns to make sure that the 4 cent tax increase in 2011/12 was enough, to eliminate another tax increase within a couple of years
- If we must increase taxes, do it this year and not next year; next year will be even harder

Chairman Lankford commented:

- General Fund is 60 cents
- New Schools/F Tech Fund is 4 cents
- Service Fire District is 6.5 cents with a different rate for Walnut Cove Fire, King Fire, and Rural Hall

Commissioner Walker commented:

- Must remember that there are a lot of people in the County that are struggling who do not need an additional expense with a tax increase
- Must think about giving the employees a COLA who have stood behind the county in increasing the Fund Balance
- What would revenue neutral be?

Finance Director Edwards responded:

- Revenue neutral tax would be .6353
- Equivalent levy tax would be .6168

Chairman Lankford questioned if there was any chance of getting on the State Insurance

Plan?

Clerk Bullins responded:

- Bill this past year that would have allowed counties to join the State Plan was not approved by Legislature
- Staff is sending out IFPs for health and dental for the upcoming fiscal year

Commissioner Jones questioned when the county would get the costs relating to some of the unknowns such as health/dental premiums, retirement contributions, unemployment contributions, etc.

Manager Morris responded:

- These types of unknowns will be incorporated into the 2013-14 proposed budget which will be submitted to the Board at the last meeting in May
- Department Budgets are due to the county manager by March 22nd
- Reminded departments that the county will be facing the elimination of Hold Harmless, decrease in tax revenue, increase in health/dental costs, increase in retirement contributions, etc.
- Suggested to department heads to submit a budget with what is needed to run the department and will cut or reduce during my budget process

Manager Morris noted that he would continue with the following at the next budget work session:

- Physical security of county employees
- Salaries/COLA
- Superior Court office cost in King
- King Clinic Building/Alternate locations
- Potential “Hold Harmless” for one additional year
- Level of capital purchases
- Stokes County Land Use Plan
- Immediate purchase of trucks/computers
- Not a complete list, can add other items for further discussion

Manager Morris did note the following:

- Need to discuss the immediate need to purchase trucks for Public Works
- Two are beyond repair with very high mileage
 - One vehicle has 399,000 miles and will cause \$2,000+ to repair the transmission
 - Doesn’t make sense to keep putting money into these vehicles
- Vehicle Maintenance Supervisor is currently looking for a used vehicle with an average cost of \$3,000 to \$4,000

Commissioner Jones suggested allocating the funding from the sale of the impounded vehicles to purchase these vehicles.

Manager Morris requested the following:

- Need for a laptop computer
- Very behind in my work because of all the extra projects
- Behind in department head evaluations
- Not sending updates due to the workload
- My home computer is not compatible with the office computer which limits the amount of work that I can do after 5:00pm
- Would get a laptop that could be used at home and at the office
- Suggested funding that was allocated for a shredder could be used for the purchase

Chairman Lankford opened the floor for discussion.

Commissioner Inman commented:

- No issues, on board with the manager’s request

Commissioner Walker commented:

- Unaware you did not have a laptop
- My view is this is the manager’s discretion if the funding is available
- If there are other key employees that need one, that should be dealt with

There were no issues with Manager Morris’ request.

Chairman Lankford noted it was the consensus of the Board for Manager Morris to purchase a laptop instead of the shredder.

Chairman Lankford agreed with Commissioner Jones to use funding from the sale of impounded vehicles.

The Board unanimously agreed to use the proceeds from the sale of vehicles to purchase used vehicles for Public Works.

County Manager Morris reminded the Board of the rerouting of the water line and relocation of the water tank that was presented to the Board at the Water and Sewer Project Work Session on Monday.

County Manager Morris noted:

- Charles Anderson has requested an increase in the Phase I (approximately \$40,000)
- There would be a significant reduction in the construction cost

The Board agreed to place the item on Monday's Agenda for further discussion.

Commissioner Inman noted that the contract with Pilot View RC&D would have to be amended with this type of action.

Commissioner Inman suggested Mr. Anderson be at Monday's meeting to answer questions.

Commissioner Jones questioned what would be the cost savings in construction if the new route and relocation were approved?

Manager Morris noted that Mr. Anderson stated an estimated decrease of \$200,000+ for construction at yesterday's meeting

Commissioner Walker noted that \$40,000 is county dollars and must be justified.

Chairman Lankford directed the Clerk to place the item on Monday's Discussion Agenda.

Adjournment

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

Commissioner Inman moved to adjourn the work session. Vice Chairman Booth seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman