

STATE OF NORTH CAROLINA)
)
COUNTY OF STOKES)
)

OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
MARCH 12, 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 12, 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 opened the floor for continued discussion.

Finance Director Julia Edwards presented the following information regarding updated Sales Tax Revenue:

- Provided the Board with updated Sales Tax Revenue (includes January 2013 data) which shows 58.33% collection of budgeted revenue
- General Fund - Budgeted \$2,760,000 with collection of \$2,000,699.01 (72.49%) to date

- Total Sales Tax Revenue – Budgeted \$4,219,900 with collection of \$2,980,745.59 (70.64%) to date
- Decrease of \$46,024.88 in January 2013
- Rebecca Troutman, NCACC, reports that counties are seeing a reduction in sales tax due to the increased price of gasoline, tax time, along with the economy
- \$590,706.53 ahead of collection compared to the same period last year (July-January)

The Board briefly discussed the updated sales tax revenue with Finance Director Edwards.

Finance Director Julia Edwards presented the following updated information regarding Qualified School Construction Bonds (QSCB) and Qualified Zoned Academy Bonds (QZAB)

Funding:

- County has been notified by Local Government Commission (LGC) that the IRS Refund involving QSCB and QZAB was effective March 1, 2013
- The sequestration reduction rate will be applied until the end of the fiscal year (September 30, 2013) or intervening Congressional Action, at which time the sequestration rate is subject to change
- Qualified Bonds are subject to a reduction of 8.7% of the amount budgeted for such payments
- County has a June 2013 payment for QSCB and QZAB of which \$36,966.61 is interest which will not be refunded back to the County
- County will see payments next fiscal year (2013/14) that will have a reduction of \$73,933.23 not paid back to the county if this continues after September 2013; county's payment next fiscal year will be due December 2013
- There is some talk about doing away with the QSCB and QZAB financing
- Finance Association did a letter and resolution in opposition of elimination of the QSCB and QZAB financing which could hamper local government and cities trying to finance projects

Chairman Lankford expressed concerns regarding this type of reduction being handed down from the federal government with very little or no media coverage.

Commissioner Walker expressed concerns with counties entering into an agreement with the federal government for financing and surprisingly finding out in the middle of the budget year that 8.70% of the refund will not be returned to Stokes County. Commissioner Walker also noted that this impacts the County's budget and is not fair to the County.

Commissioner Walker noted that this action was done under the Budget Sequestration of 2013.

Commissioner Jones noted this is a way to keep the federal government from having to raise taxes, but puts the burden on the local government to come up with the reduction or raise taxes.

The Board discussed the Budget Sequestration of 2013.

Commissioner Walker noted that this was just like an unfunded mandate.

Commissioner Walker questioned County Manager Morris if this was discussed at the recent meeting with Congressman Howard Coble.

Manager Morris responded:

- The meeting with Congressman Coble was scheduled specifically to discuss the water/sewer project
- Feels this should be done in a separate meeting

Commissioner Inman responded:

- Did not have the financial data, which was presented today by Director Edwards, to be able to discuss what kind of impact this would have on Stokes County
- This is just like the voters approving a “school” lottery that is not a school lottery, balancing state budget by using the “school” lottery

Commissioner Jones commented:

- Counties are being punished for the federal government’s lack of fiscal responsibility

Vice Chairman Booth commented:

- Just another way to get the counties’ attention

Manager Morris commented:

- The County’s financial model has a margin included in it for this type of fluctuation
- Big concern is that the percentage may increase or worst case scenario the full amount of refund taken away
- This would cause the County to have to refinance
- Have no idea what the federal government will do

Commissioner Walker commented:

- If the refund is fully taken away, this could severely affect the county’s financial model

County Manager Morris noted that the county could have Doug Carter run a financial model with the IRS refund totally removed if so desired by the Board.

The Board discussed the effect on the financial model.

County Manager Morris noted that he would have Doug Carter run a financial model to show the county's financial impact; feels it would be a good idea to see the impact.

Finance Director Julia Edwards presented the following information regarding the new requirements for unemployment tax:

- County will have to start paying 1% of each person's annual taxable wages up to \$20,900
- County has been paying what was actually been paid by Employment Security Commission (ESC) to those receiving unemployment benefits (one year behind)
- County will now have to pay the 1% and the actual costs by ESC for the next two (2) years due to the ESC payments being one year behind
- After those two (2) years, the County will only pay the 1%
- ESC has stated the \$20,900 could increase in January 2014 to \$21,400
- Will be budgeting \$214 per person per department for the upcoming 2013-2014 budget; there will probably be some leftover funding due to vacant positions
- This also includes part time employees

The Board discussed the new unemployment procedures.

County Manager Morris noted this will causes additional expenses for the next two budgets.

Vice Chairman Booth confirmed with Finance Director Edwards that each department will be hit with increases per employee for unemployment, possibly health/dental premiums, and retirement.

The Board discussed the new unemployment regulations recently approved by the Governor.

Finance Director Julia Edwards reminded the Board of the new Motor Vehicle Tax Collection System starting July 1, 2013.

Finance Director Edwards commented:

- County will be charged a collection fee by the state
- State will also charge the county an additional fee for the use of debit/credit cards
- Should improve the collection rate for the counties
- Counties will no longer be able to keep the 1% collection fee for collection of motor vehicle taxes for the towns/municipalities, even though the county will receive all the taxes and disburse to the towns/municipalities
- County will have to decide if collection fees are going to be passed on to the fire districts

The Board briefly discussed the new motor vehicle collection procedures.

County Manager Rick Morris continued discussion of the Fiscal Year 2013/14 Budget

Issues with the Board:

- **Revenue neutral calculation/revenue equivalent**
 - Will be discussed more in detail in the 2013/14 Budget Message
- **Physical security of county employees**
 - Primarily talking about the administrative building
 - Have received concerns since the recent school events
 - Have some citizens who are unhappy with the results of certain things such as property taxes
 - Most buildings similar to ours usually have some type of reception area that sees everyone who comes in and out
 - County buildings are posted that it is a gun free facility
 - Looking at a few options
 - Being able to carry a concealed weapon with a concealed carry permit could be an option
 - Incidents have occurred in other states in Board of Education and County Commissioners' meetings
 - Finance Director is looking at putting security cameras in locations that collect money
 - Commissioner Walker suggested having the Sheriff do a security check regarding this building and see what suggestions he would have
 - Chairman Lankford stated he supports the concealed carry permit
 - Commissioner Walker suggested talking with Representative Bryan Holloway and Senator Shirley Randleman regarding the concealed carry permit as an option
- **Salaries/COLA**
 - Will need to decide if the County can afford a COLA in the upcoming budget

- **Superior Court Office in King**
 - County currently pays \$22,800 for rent and \$7,000 for utilities annually for the space in the Smith Building in King for offices for the Superior Court Judge/Administrative Assistant and the Magistrate
 - Could look at moving those offices to Danbury
 - Vice Chairman Booth requested the amount of time the offices are in use
 - Commissioner Inman requested the amount of time the Magistrate now uses the office since the video system was implemented by the previous county manager
 - Commissioner Walker requested the manager review all facilities that the county rents for any fine tuning that can be done
 - Commissioner Inman requested the amount of space that is being provided for the \$20,800 annual rent
 - Commissioner Walker requested the manager contact the Superior Court Judge/Magistrate for their comments, the amount of time being used, and the necessity for the facility
 - Vice Chairman Booth suggested possibly looking for other places to house these individuals, possibly less expensive
- **King Clinic building/alternate locations**
 - This item has already been discussed by the Board
 - Possibly consider looking at alternate locations
 - Commissioner Walker noted the following:
 - Found some very specific, creditable information that indicates the Health Director's (not his fault) numbers are extremely flawed
 - There have been some others issues that can't be discussed in open session due to personnel that also makes a big difference regarding the facts
 - Information was provided by a creditable Health Department employee
 - During his presentation, his numbers did not make sense why there were so few using the clinic
 - Will be discussing this information with Vice Chairman Booth who serves on the Board of Health and Health Director Lenhart
 - Have to be very cautious about speaking about this information due to personnel being involved
 - Feels this will put a different light on the King Clinic issue
 - Commissioner Inman and Commissioner Jones expressed concerns with not having the additional information suggested by Commissioner Walker
- **Potential "Hold Harmless" for one additional year**
 - Finance Director heard that the Senate is not in favor of an additional year of Hold Harmless revenue
 - Chairman Lankford commented that he had heard similar information from Representative Holloway
 - Will be preparing the 2013-14 budget without the Hold Harmless Revenue
 - Commissioner Walker requested discussion regarding the impact on the upcoming budget without the Hold Harmless

- Finance Director Edwards discussed what the County did when the Hold Harmless was taken
 - Employee furloughs
 - No capital purchases
 - Reduction in staff
 - 6% reduction across all departments including the schools
 - Depleted most capital reserve accounts
- Commissioner Walker also noted to keep in mind the loss of tax dollars due to revaluation,
- Commissioner Inman spoke about the interim budgets adopted by the Board when the County lost the Hold Harmless along with the adoption of a budget that included the Hold Harmless as a revenue for recurring expenses
- Commissioner Walker noted certain departments that were targeted such as DSS that lost positions with others who received additional funding once the State released the Hold Harmless
- Commissioner Walker noted one of the quickest ways to get in trouble with a budget is to do a bad projection with revenues
- **Level of capital purchases**
 - Will need to take a hard look at capital purchases such as vehicles based on the loss of Hold Harmless, loss of tax revenue due to revaluation and the \$2.5 million spent last year on the E911 upgrade
 - Vice Chairman Booth confirmed with Manager Morris that vehicles were bought for the Sheriff's Department and remounts for EMS in the previous budget (fiscal year 2012-2013)
 - Commissioner Walker noted that the Sheriff's Department received 8 cars this fiscal year
 - Commissioner Walker noted that he had found out that normal replacement for other counties is every 4 years with the County's replacement being an average of three (3) years; need to take a look at all options
 - Need to look at the new Interceptor Law Enforcement Truck, Sheriff Marshall is considering buying trucks that could be handed down to other departments such as Maintenance
 - Commissioner Walker questioned how this would impact DSS and Health Departments?
 - Manager Morris stated that he had verified with state officials that DSS cars could not be transferred to another department until the mileage was over 110,000
 - If you take the vehicle that is used the most, it will take eleven years to move that particular vehicle to another department
 - Need to concentrate on shifting vehicles from the Sheriff's Department that can be moved at anytime.
 - Commissioner Walker agreed it would be a good idea to look at buying trucks that can be transferred to other departments
 - Chairman Lankford noted that his feeling right now was no capital this year
 - Commissioner Inman noted the need to look for fuel efficiency vehicles

- Vice Chairman Booth noted that he can understand patrol cars are slightly different regarding fuel efficiency, but need to take a look at the cars being driven by supervisors, captains, etc. for fuel efficiency
- The Board discussed the need to continue to look at fuel efficiency
- Commissioner Jones questioned the safety aspect of trucks being easier to roll?
- Commissioner Walker noted there will have to be an extreme situation for vehicle purchases in this budget year
- Commissioner Walker noted that last year's budget did not include the fuel efficient vehicles for DSS that would have only cost approximately \$7,000
- Commissioner Walker stated this is a strong issue with the DSS Board for the upcoming budget year
- Manager Morris noted he was not sure there was a need for additional vehicles
- Manager Morris noted that Director Preston would need to put strong justification with her budget request
- Commissioner Walker stated his original justification was the "bargain" with only \$7,000 of county funding and the fact that they could be transferred after five (5) years; with the 110,000 miles restriction, that does change the picture of the situation
- Commissioner Jones questioned why the county could not allow the employees to drive their own vehicles and be paid mileage as long as a magnet county seal could be placed on their vehicle? Would this not be cheaper than buying cars?
- Commissioner Walker noted that he understood Surry County no longer provided county vehicles; employees use their personal vehicles and are reimbursed for mileage
- Commissioner Walker stated that would eliminate his current situation of having to drive 35 miles to pick up a county vehicle; most of the rest of the Board can easily come by the Government Center to pick up a car
- Commissioner Walker noted that would allow employees to leave home and go directly to their appointments; not having to come to Danbury then go to their appointments
- Chairman Lankford suggested leaving a county vehicle at the Southwest Service Center for Commissioners to use
- Commissioner Walker stated that it would be fair
- Commissioner Jones stated it was not intentionally done not to be fair
- Commissioner Walker stated it was unfair when it was proposed
- **Stokes County Land Use Plan**
 - Need to seriously consider a Land Use Plan for the County for the future grants and proposed conditional zoning
 - Commissioner Jones stated this was her number one goal
 - Cost is \$50,000+ and will take a couple of years for completion
 - The Board discussed the need for a Land Use Plan
 - Planning Director Sudderth and Economic Development Director Wood are both looking into possible grant opportunities

- Commissioner Inman questioned partnering with the City of King and Town of Walnut Cove which had previously expressed interest in a partnership Land Use Plan
- The Board discussed involving state universities and partnering with the cities/towns
- Chairman Lankford noted there might be some assistance available from the Regional Council
- The Board unanimously agreed to pursue a Land Use Plan

Projected Revenue Shortfalls and Expenditure Increases

Finance Director Julia Edwards presented the following information for Board discussion:

- Potential revenue shortfalls
 - Loss of Hold Harmless
 - Approximately \$2 million loss
 - Loss of property tax from revaluation
 - Approximately \$600,000 loss
 - Potential state and federal shortfalls from sequestration
 - Possible 5% decrease involving Senior Services (Home Delivered Meals)
 - QSCB and QZAB reductions – approximately \$36,966 for this fiscal year
 - Possible federal and state cuts
- Potential expenditure increases
 - Health and Dental Insurance
 - Premium increases unknown
 - Will not have the final cost for fiscal year 2013-14 until final costs are incurred by the HRA which could be sometime in late July or early August
 - Retirement contribution
 - Told last year there would definitely be an increase for fiscal year 2013-14
 - New unemployment insurance requirement
 - Budgeted \$214 per employee for fiscal year 2013-14
 - Fuel costs and other items directly related to fuel
 - Fuel costs continue to remain around \$3.50 per gallon
 - Telling departments to budget \$4.00 per gallon with a fuel contingency
 - Potential rate increases from Duke Energy
 - Duke Energy is requesting a 6% increase

Chairman Lankford commented:

- Legislature made some significant changes in the Utilities Commission recently
- Understands there will not be 6% increase but approximately \$2.14 per household increase

The Board discussed current possible unknown increases that could have a tremendous impact on the upcoming fiscal year such as the increase in Health and Dental Insurance Premiums, possible federal and state cuts, etc.

The Board discussed the increase in mandated retirement contributions paid for employees by the county.

Manager Morris provided Board members with chart detailing revenue neutral tax (.6353) which must be included in the budget message and revenue equivalent (.6168).

Manager Morris noted:

- Revenue equivalent would require the tax payer to pay the same taxes but have a higher rate
- Revenue neutral would require the tax payer to pay higher taxes with a higher rate

Chairman Lankford noted no increase makes more sense to him.

Commissioner Jones responded:

- Totally agree, but must think about next year
- Rather do it this year if it has to be done

County Manager Morris noted that one thing to remember the loss of revenue due to the revaluation is for the next (4) four years.

County Manager Morris noted that he not received any information from the School System.

Chairman Lankford responded:

- Need to contact the superintendent
- There are going to be several tough years ahead with the potential revenue losses and expenditure increases

County Manager Morris noted the 2 cent tax reduction done several years ago.

The Board discussed the 2 cent tax reduction, would have helped if it would have been saved and not used for recurring expenses.

Vice Chairman Booth noted the County's current Fund Balance which enables the County to continue to provide the needed services.

County Manager Rick Morris questioned the Board regarding the Board's expectations for what the Fund Balance should be next year; this would give direction for his recommended budget?

The Board discussed Fund Balance which was estimated at 21.8% at the end of Fiscal Year 2012-13.

County Manager Morris noted:

- o His goal for this fiscal year's fund balance was to stay above 20%
- o LGC's recommended amount for a county our size is 23%
- o LGC requires an 8% fund balance per general statutes
- o Below 8% gets you a letter from LGC and difficulties with borrowing funds
- o County can't borrow over 8% of the county's assessed value

Chairman Lankford requested Board members to be prepared to submit individual goals.

Adjournment

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

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

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman