

Overview

- Revenue projections are conservative due to slow economy and other unknowns
- Projections for FY2013/14 are based primarily on actual collections this year compared to budgeted amounts
- Largest revenue problem is expiration of "Hold Harmless" funds this year, followed by revaluation
- Holding a strong County fund balance is critical to reducing financial risk for the county
- County and School System sales tax revenues are up slightly but lower than earlier years

FY13/14 Project Revenue Summary

- Ad Valorem Taxes = 49.78%
- Fund Balance Appropriation = 7.23%
- Other Revenues = 6.25%
 - Examples per Finance Director Edwards
 - Investments
 - Miscellaneous revenue
- Sales and Services = 7.16%
 - Examples per Finance Director Edwards
 - Home Health Fees
 - Ambulance Fees
 - Other fees in other departments
- Permits and Fees = .78%
 - Examples per Finance Director Edwards
 - Planning
 - Register of Deeds
- Restricted Intergovernmental Revenues = 17.46%
 - Examples per Finance Director Edwards
 - Health and DSS Revenues
- Unrestricted Intergovernmental Revenues = 3.14%
 - Examples per Finance Director Edwards
 - Hold Harmless Revenue
 - Beer and Wine Revenue
- Other Taxes and Licenses = 8.20%

Ad Valorem Taxes

- FY 13/14 county value is \$3,555,672,667
 - General Fund-Estimated Ad valorem revenue is \$20,374,005 using a 60 cent tax rate at 95.50% collection rate
 - New School /F. Tech Fund-Estimated Ad valorem revenue is \$1,358,267 using a 4 cent tax rate at 95.50% collection rate
- For comparison FY12/13 value was \$3,640,708,445
 - General Fund-The same collection rate of 95.50% was used, which produced \$20,861,260 in Ad valorem revenue
 - New School/F. Tech Fund-The same collection rate of 95.50% was used, which produced \$1,390,751
- The tax value decreased \$85,035,778 from 2012/13.

- General Fund Ad Valorem revenue decreased \$487,255 from 2012/13.
- New School/F. Tech Fund Ad Valorem revenue decreased \$32,484 from 2012/13.
- The reduction of tax value is due to the revaluation and the North Carolina Membership Corporation retired their load management equipment from services; therefore, coops will not be reporting these assets. This reduction is \$67,314 County and \$7,292 Service District this year

County Manager Morris noted that the County could legally increase (per audit) the tax collection percentage to 96.19% which would generate \$20,521,209 in revenue which would be an additional \$147,205.

The Board discussed possibly collection rates.

FY 12/13 Sales Taxes

- Sales taxes are currently \$129,478.77 ahead compared to last year as of March 2013
- Sales tax revenue estimates for 30 June 2013 are:
 - Article #39 - \$1,451,707 (budgeted amount \$1,275,000)
 - Article #40 - \$1,595,258(budgeted amount \$1,450,000)
 - Article #42 - \$386,931(budgeted amount \$350,000)
- Projected gain this year in combined sales tax revenue is \$361,618 compared to last year

FY 13/14 Sales Tax Estimates

- Recommended FY13/14 budget increases sales tax estimates as shown below
 - Article #39 from \$1,275,000 to \$1,425,000
 - Article #40 from \$1,450,000 to \$1,575,000
 - Article #42 from \$350,000 to \$375,000
- These are conservative estimates based on actual collections experienced during this budget year which are included in the proposed Fiscal Year 2013-14 Budget

Other Revenue Items of Interest

- Home Health fees are expected to be in the “red” and projected revenue for FY2013/14 reflects using \$460,723 from general fund.
- As of this past week, estimate loss is over \$200,000
- Recommended budget uses projections from the State of N.C. for Health Dept and DSS
- The FY2013/14 Budget reflects no Hold Harmless funds. FY2012-13 was the last year that included Hold Harmless revenue.
- IRS interest refund for QZAB / QSCB was budgeted based on receiving the full reimbursement. At this time, we do not know if this refund will be available from the Federal Government as promised in future years (Doug Carter opinion).
- Investment income is the same as FY2012-13, these rates are controlled by the FEDs and until unemployment goes down it is not likely they will raise rates on investments.
- Proceeds from Financing includes: (1) new ambulance \$160,000, (1) truck for Sheriff’s Department \$25,500 and servers for various departments \$203,050
- Ambulance Fees were increased due to the collections in FY2012-13.
 - Increase based on actual for FY 2012-13

- New charge for critical ALS “treat no transport” of \$350, cost of supplies
- Health Department Title XIX brought forward to FY 13-14 for the building project
- Budget recommendation is for appropriation of \$3,104,116 from General Fund balance
- Recommendation appropriates \$1,182,000 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 \$1,143,996 consists of \$930,491 for Early College and PODS debt payment, \$103,505 Early College operating expenses, and \$110,000 Poplar Springs Elementary School operating expenses
- The institutional rate for Danbury Water and Regional Sewer is being reallocated between the two funds.
- Health Department requests a fee adjustment to add prenatal services for FY 2013-14; Approved by the Health Department Board, requires approval in this budget.
- Environmental Health adjustment to water fees for FY2013-14 approved by the Health Department Board, requires approval in this budget.
- Animal Control Adoption fee increase for FY 2013-14, requires approval in this budget.
- New EMS Critical ALS Fees for 2013-14, requires approval in this budget

The Board discussed several of the items mentioned by Manager Morris.

Vice Chairman Booth commented regarding Home Health:

- Positive report was given to the Board of Health at their last meeting indicating things are turning around
- Have received 12 new clients

Commissioner Walker questioned how this could be turning around with the figures presented by the Manager indicating an increased loss?

Vice Chairman Booth responded:

- Board of Health has not received the information presented by the Manager
- Have unanswered questions myself
- Would like to have Director Lenhart at a budget work session to explain his request of \$460,723 county funding

Finance Director Edwards responded:

- The figure changes daily with revenues being received, the loss was calculated as of May 31st

Commissioner Walker expressed concerns regarding approximately a half million dollars of county funding needed for the upcoming Fiscal Year for Home Health.

Vice Chairman Booth commented:

- Home Health has experienced several setbacks this past fiscal year
 - Supervisor resigned
 - Additional staff resigned
 - Physical Therapist resigned

- All this happened during the first six months of the 2012-13 fiscal year
- Not sure it can get any worse than during that time
- Can't understand if the loss is figured at approximately \$200,000 as of May 31, 2013, how can you project a \$460,000+ loss for Fiscal Year 2013-14 when new clients are being added
- Reiterated the need for Health Director Lenhart to explain in detail his projections

County Manager Morris commented:

- Home Health is in a dynamic environment with increasing competition every day (private companies, uncompetitive salaries, better benefits, etc.)

Vice Chairman Booth responded:

- Must also consider the previous two fiscal years which produced \$261,000+ in the black
- Want a detailed explanation of the projections
- At a recent Board meeting, Commissioners agreed Home Health is a valuable service to the citizens of Stokes County if it can break even with expenditures and revenues

Commissioner Walker responded:

- There have been multiple discussions over the years regarding Home Health
- Agree that Home Health is a very valuable service for our citizens as long as it is sustainable
- Also agree there needs to be some explanation regarding the huge increase of county funding for the upcoming 2013-14 fiscal year

Chairman Lankford directed Manager Morris to obtain additional information regarding the county funding request for the Board from Director Lenhart.

Commissioner Inman requested permission from Chairman Lankford to provide Board members information just received from Representative Bryan Holloway.

The Board had no issues with Commissioner Inman providing the information.

Commissioner Inman noted following information from Representative Holloway:

- House is trying to complete their budget
- Once the House budget is complete, negotiations will begin with the Senate
- One half of the Hold Harmless is in the House budget (\$1.1 million for Stokes)
- Rural Center repaired – hopes to have the Rural Center back where it was
- Had a bloody fight with Speaker Tillis and had to compromise, the Speaker took Berger's position
- This is the House budget only

Commissioner Inman commented:

- Representative Holloway has done a tremendous job getting any of the Hold Harmless in the House budget
- Did not expect for any of the Hold Harmless to be in the House budget with the way things were going
- Stokes County has someone working hard in Raleigh for Stokes County

Chairman Lankford commented:

- The key to remember that if it is in the budget this year, it will be there for two years which would be great for Stokes County

Finance Director Edwards noted that the proposed budget includes the full IRS interest refund for the QZAB and QSCB due to the federal budget is not adopted until October and there is no way of knowing if the funding will be taken away until the federal budget is adopted.

Commissioner Walker questioned how much was reduced in the current fiscal year?

Finance Director Edwards responded:

- The County lost approximately \$67,000 (8.83% decrease for the June refund)

The Board discussed the price of one (1) new ambulance versus two remounts.

County Manager Morris noted:

- The next two in line to be remounted are the small boxes that will not hold all the needed equipment and have already been remounted once
- Two remounts would be approximately \$180,000
- Discussed the issue with Director Collins and his preference is one new ambulance

Chairman Lankford requested additional information regarding the equipment being carried in the EMS units.

County Manager Morris noted that he would provide the Board with additional information from Director Collins regarding the purchase of one new ambulance versus two remounts.

Commissioner Walker noted some of the general public does not understand that there will be no county funding in the renovations/addition to the Health Department.

Vice Chairman Booth noted that the Title XIX Funding is estimated to be less this year with uncertainty about upcoming years.

Finance Director Edwards noted that the proposed budget appropriates almost all of the County's available lottery funding.

Commissioner Walker expressed concerns with how the Local Government Commission (LGC) will look at the County having to appropriate a large sum from the County's Fund Balance again this year and what impact this will cause when the County goes out for financing for the Lawsonville Renovation/Construction Project and the Community College Project.

Commissioner Walker noted:

- Not a fan of having to take funding from the Fund Balance to balance the budget
- Not sure if I could support this budget today if I had to vote on it today with that much being taken out of the General Fund, probably not
- County has some decisions to make
- If revenues can't be increased, must look at decreasing expenditures
- Or going ahead and "biting the bullet" and increase revenues and hold back no options
- Something is not intact with this budget as was last year and predicted to be next year
- Large amount of funding being appropriated from the Fund Balance
- Something is just not right

County Manager Morris responded:

- What is really not right, is losing Hold Harmless and the decrease in the Revaluation in the same year with spending basically being at the same level
- Director Edwards' estimate for Fund Balance for this year will be around 20% which should not concern the LGC
- Next year could be a totally different situation

Vice Chairman Booth commented:

- Hold Harmless has helped to increase the Fund Balance

Commissioner Walker commented:

- Very concerned with the County being on a downhill skid with these upcoming budgets
- The question is what is the County going to do about this?

County Manager Morris commented:

- Revenues must be increased or the County must start in November this year to restructure our government

Revenue adjustments

- Below are areas where revenue projections could be increased by BOCC

- Ad valorem collection rate and/or tax rate
- Increase fees for services (ex: EMS, Animal Control, Environmental Health, Planning, Solid Waste and Etc.
- 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 noted the following projected information attempts to show what happens to the County Fund Balance and Revenue using 4 different tax rates over the next four budget years during the current Revaluation period.

Revenue Projections

- Tax Levy \$3,555,672,667 with no growth included
- Assumes no purchase of equipment
- Assumes no new personnel
- Adds \$1 million structural increase each year for increase in benefits, longevity, cost of supplies, fuel, etc.
- Services remain the same
- Does not project what could be returned to Fund Balance at the end of each fiscal year

	FY 13/14	FY 14/15	FY 15/16	FY 16/17
Budget	\$42,917,782	\$43,374,113	\$44,374,113	\$45,374,113
60 cents tax rate	\$20,374,005	\$20,374,005	\$20,374,005	\$20,374,005
61.67 cents tax rate	\$20,941,081	\$20,941,081	\$20,941,081	\$20,941,081
63.73 cents tax rate	\$21,640,589	\$21,640,589	\$21,640,589	\$21,640,589
65 cents tax rate	\$22,071,839	\$22,071,839	\$22,071,839	\$22,071,839
Fund Balance appro. 60 cents	\$3,104,116	\$3,560,447	\$4,560,447	\$5,560,447
Fund Balance appro. 61.67 cents	\$2,537,040	\$2,993,371	\$3,993,371	\$4,993,371
Fund Balance appro. 63.73 cents	\$1,837,532	\$2,293,863	\$3,293,863	\$4,293,863
Fund Balance appro. 65 cents	\$1,406,282	\$1,862,613	\$2,862,613	\$3,862,613
Fund Balance Est. 60 cents	20%	16%	12%	8%
Fund Balance Est. 61.67 cents	21%	17%	13%	9%
Fund Balance Est. 63.73 cents	23%	19%	15%	11%
Fund Balance Est. 65 cents	24%	20%	16%	12%

The Board discussed the projected scenarios provided by Manager Morris.

Chairman Lankford reiterated that these projections do not include any increases in growth or sales taxes.

Manager Morris commented:

- Reiterated the information is only projections, provided to give the Board some information to think about
- Reiterated the figures do not include any increases in growth, sales taxes, etc.
- Must remember some things continue to increase supplies, fuel, etc.
- Do not know how Health Care Reform will impact the county

Commissioner Walker commented:

- The County has some hard decisions to make
- It is a matter of whether the County starts now or keeps putting them off; they are not going away
- Things that we as a county have been able to afford in the past, may not be affordable for the County in the future

County Manager Rick Morris requested Board members to let him know if there was any other information needed by the Board regarding the proposed budget.

Finance Director Edwards provided Board members with the following:

- Detail listing of equipment in the proposed FY 2013-14
 - EMS Ambulance = \$160,000
 - Finance Server = \$22,000
 - Information System Servers = \$147,300
 - Sheriff's Department Truck = \$25,500
 - Tax Administration Server = \$25,000
 - GIS Server = \$8,750
 - Total Amount = \$388,550
- Legislative Bulletin providing information about certain bills that could have an impact on counties if approved

The Board briefly discussed the needed servers for the various departments.

CLOSED SESSION

Chairman Lankford entertained a motion to enter Closed Session for the following which is a budget item:

- To consider the initial employment or appointment of an individual to any office or position, other than a vacancy in the Board of County Commissioners or any other public body, or to consider the qualifications, competence, performance, character, and fitness of any public officer or employee, other than a member of the Board of Commissioners or of some other public body pursuant to G.S. 143-318.11(6).

Commissioner Inman moved to enter Closed Session for the following:

- To consider the initial employment or appointment of an individual to any office or position, other than a vacancy in the Board of County Commissioners or any other public body, or to consider the qualifications, competence, performance, character, and fitness of any public officer or employee, other than a member of the Board of Commissioners or of some other public body pursuant to G.S. 143-318.11(6).

Commissioner Walker seconded and the motion carried (4-0) with Commissioner

Jones absent.

The Board returned to the Budget Work Session.

Adjournment

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

Vice Chairman Booth moved to adjourn the Budget Work Session. Commissioner Inman seconded and the motion carried (4-0) with Commissioner Jones absent.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman