

STATE OF NORTH CAROLINA)
)
COUNTY OF STOKES)
)

OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
NOVEMBER 18, 2013

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a 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 Monday, November 18, 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 Morris
Clerk to the Board Darlene Bullins
Finance Director Julia Edwards
Sheriff Mike Marshall
Public Works Director Mark Delehant
Landfill Supervisor Harry France

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

Commissioner Jones delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

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

Goals/Budget Guidance Work Session

Chairman Lankford turned the second work session over to County Manager/Budget Officer Rick Morris.

County Manager Morris noted:

- Have invited the following representatives from Hall Propane Company to discuss conversion to propane for vehicles
 - Clyde Hall
 - Nick Rakes
 - Eric Bennett
- Have invited the following representatives from Joyce Engineering to discuss the Solid Waste Convenience Centers Site Improvements Evaluation for the Pinnacle and Walnut Cove Sites
 - Steve Cowie
 - Alex Everhart

Cost Savings through Propane Conversion

- Need to explore the cost savings and operational impacts of converting vehicles to propane

County Manager Rick Morris commented:

- Mr. Hall has mentioned if the County ever decided to move into the direction of using propane that he would like to be on the ground floor if possible
- If the County ever chose to go that direction in a big way, it would probably not be a sole source, it would most likely be competitive
- Mr. Hall has volunteered to come and educate us on the potential savings and the current technology being used today in the conversion process for vehicles
- Sheriff Marshall and I have discussed a potential pilot program possibly starting with the four vehicles in the Walnut Cove area
- Mr. Hall is considering putting a pumping station at his Walnut Cove location
- It is all about saving dollars and making the best use of the taxpayers' money
- Will have information to review before the next budget sessions in January if the Board chooses to discuss the idea again

Mr. Clyde Hall commented:

- Have Nick Rakes and Eric Bennett here today
- Nick has been studying the propane conversion process
- We do not have all the answers, still a lot of infrastructure that has to be done
- Provided the Board with a cost and environmental analysis of propane autogas versus gasoline – an alternative fuel fact brief

Mr. Nick Rakes presented the following information:

- Appreciate being allowed to speak today
- There is still a lot of hesitation for new technology; we were also unsure at first about the conversion process
- Started with the conversion of a couple of our vehicles and are now in the process of converting a couple more of our vehicles
- Have seen a great return on the conversion
- Have not had any issues in terms of technological setbacks
- Have had nothing but good success with the vehicles that have been converted
- Believe in this conversion process

- Couple of options that the County can consider:
 - Roush-Tech
 - Roush Racing, located in Charlotte, will convert the vehicle over to propane
 - Little bit more costly (range of \$10,000 to \$11,000)
 - Runs solely on propane
 - XXI Dual System
 - Vehicle will be able to run off either gasoline or propane
 - Can actually be switched from one to the other while driving
 - System can be transferred from one vehicle to another
 - Doesn't mess with any warranties
 - Cost is between \$6,000 and \$7,000 depending on the size of the engine
- Basically, you will save anywhere from \$3,000 to \$4,000 per year
- Will double and sometimes triple the life of the engine
- Propane is usually from a \$1.00 to \$1.25 per gallon cheaper than gasoline
- Propane is cleaner burning
- Cleaner emissions
- 20% less CO2
- Better for the environment
- Oil changes can now be done every 10,000 miles instead of 3,000 miles
- Will save approximately \$1.00 per gallon with 50% less maintenance cost
- Infrastructure is normally the setback for most
- Hall Propane is planning to build the pumping station regardless of the county's decision at their Walnut Cove location
- Feel propane is the way of the future
- The pumping station will allow someone with a key code or card to be able to obtain propane 24/7
- Technology has come a long way
- Feel very good about the conversion process
- Until 12/31/2013, there is a fifty (50) cents tax credit per gallon
- Propane Industry is working on legislation to get this incentive extended for the another three (3) years
- There is the possibility that there might some grant programs out there to pay for the needed infrastructure (tanks, pumping stations, etc.) and vehicle conversion

Chairman Lankford opened the floor for discussion and questions.

Chairman Lankford questioned if the price of propane had decreased because of the volume, availability, etc.?

Mr. Rakes responded:

- With fracking, propane is becoming more abundant

Mr. Bennett responded:

- Recently met with one of our major retailers which is one of the largest in the nation
- With the Marcellus Shelf up North, there is a larger abundance of propane
- However, the problem is that there is so much exporting of propane overseas because of the price
- Our price is actually going up because inventories in the US are not building
- US is exporting more propane than ever before
- Gas has to be refined and refineries are an environmental issue
- Can do a long-term price if necessary for county budgeting purposes
- Gas is being hauled from Pennsylvania to Mississippi to a refinery – increasing transportation costs

Mr. Rakes commented:

- Propane is actually 90% made in the US, thus making and keeping jobs in the US
- US is the world's largest exporter of propane

Mr. Hall commented:

- If the TransCanada Pipeline was approved, the price would decrease
- There are environmental issues with the pipeline
- Now we have tractor trailers hauling 10,000 gallons from Pennsylvania to the eastern seaboard to be exported creating more traffic, destruction of highways, accidents, possible chemical spills, etc.
- Will see a significant drop in the price of propane if the pipeline is approved
- Feel propane is looking good for the next fifty (50) years

Commissioner Jones commented:

- Know the propane industry does some lobbying, which is a good thing
- Have known about the large exporting of propane, people in Kuwait simply got rich
- Wondering if the propane industry is also fighting to keep enough propane so that the demand is being taken care here so that it doesn't mess up our needs or increase the price?

Mr. Hall responded:

- Very good question, but that is "free enterprise"
- Just like gasoline, if it ever got to where we could produce more crude that we could use, they would export it to get a better price
- Can't blame the vendors
- More fracking will help to decrease the price

County Manager Morris commented:

- So even with the exporting problems, do you project over the next 20 to 30 years it will still stay at \$1.00 a gallon less than gasoline?

Mr. Bennett responded:

- It is projected to be cheaper, but whether it stays at least \$1.00 per gallon cheaper, no one knows

Mr. Hall responded:

- When crude drops, gasoline drops, and propane drops
- Crude is the “driver”
- When crude goes up, propane goes up

Commissioner Walker commented:

- Who provides the dual system?
- Could our in-house maintenance staff perform the conversion?

Mr. Rakes responded:

- Hall Propane is actually a provider of the dual system
- Have a certified technician in Winston Salem that Hall partners with to perform the conversion
- County’s maintenance staff can perform the conversion once they are certified which is fairly easy
- The dual system actually comes from Michigan
- Sell the equipment at cost

Mr. Bennett responded:

- Not a complicated process, can convert a vehicle in about 10 hours
- When the vehicle is taken out of service, the conversion kit can be taken off the vehicle and transferred to another vehicle as long it has same motor (V6 to V6)
- There are several options for the storage tank – spare tire, tanks mounted under the frame, in the bed of the truck, etc.

Mr. Hall responded:

- Trying to make different size tanks, but must be approved by the government
- Roush System only has two types of tank to choose from
- Starting to make 1,500 school buses a year that use propane

Commissioner Jones questioned if there were going to be more pumping stations, can see that being a problem?

Mr. Bennett responded:

- Propane is everywhere
- Key code system is more costly
- County could apply for grants to possibly install a pumping station
- Could work with the county by agreement regarding cost, pumping stations, etc.
- Possibly will start in the summer on the pumping station at the Walnut Cove location
- In time, could be a pumping station at every school

- Texas is huge with the pumping stations

Mr. Hall responded:

- The industry is trying to work the interstates first where most of the traffic is
- Northern end of the county could be difficult
- Pumping stations run from \$30,000 to \$50,000 (key coded or cards are more expensive)
- Could start with the lower end of the county first
- Could possibly have to put one in the northern end eventually
- A lot of people are seeing this \$1.00 to \$1.50 per gallon savings
- It is in the infant stage now, but is going to continue to spread
- Feel it will continue to be a savings

Mr. Bennett commented:

- To maximize the savings, estimate you would need to convert at least ten (10) vehicles

Vice Chairman Booth confirmed the cost of the dual system is between \$6,000 to \$7,000 per vehicle.

Vice Chairman Booth commented:

- Seems the dual system would be the best option
- Savings with dual kits being able to be transferred to other cars

Mr. Hall commented:

- Raleigh has converted almost all their police and social services vehicles

Mr. Rakes commented:

- Estimate a vehicle can run 500,000 to 600,000 miles using the dual system
- The company that supplies the systems has a vehicle with over 400,000 miles with the same kit and has had no issues

Vice Chairman Booth confirmed that there could be a pumping station built especially for County use.

Commissioner Walker continued:

- Confirmed with Mr. Rakes the miles per gallon is the same the first year and could be a possible 7% to 10% decrease after the first year
- Is there a difference in the power?
- Monitoring the YVEDDI vans that have been converted, so far, seems pretty encouraging
- Very encouraged with the process

Mr. Rakes responded:

- Have been charting a truck that had a conversion nine months ago, there is no change in the miles per gallon
- If there is a reduction in the miles per gallon after the first year, it will not change after that initial decrease
- Savings will outweigh the reduction in miles per gallon
- No decrease in power

Mr. Bennett offered the County the opportunity to demo a Roush truck and a dual system truck that have been converted to propane.

Mr. Hall questioned if most of the Sheriff's Department vehicles being taken out of service are due to engine failure?

Sheriff Marshall responded:

- Most vehicles are taken out due to mileage of 160,000+ which are then transferred to another department

Mr. Hall stated that you should be able to get at 25% or more out of the life of the vehicle's engine.

County Manager Morris expressed appreciation for the information.

Mr. Hall expressed appreciation to the Board for being able to share this new technology with the Board.

Solid Waste Study

- Need to review the study to decide if the proposed new system is preferred before additional garbage hauler vehicles are purchased

County Manager Rick Morris commented:

- Public Works Director Mark Delehant had Joyce Engineering perform an evaluation in April 2013 on the Solid Waste Convenience Centers Site Improvement particularly the Pinnacle and Walnut Cove Sites
- Walnut Cove and Pinnacle Sites are the two busiest sites
- There are also safety issues with the entrance at the Walnut Cove location
- Study does not expire, the implementation can be done at any time
- The one thing that will trigger the upgrades to the sites would be at the time to purchase new garbage trucks (estimated at \$250,000+)
- Can further discuss the process at the January budget work sessions

Public Works Director Mark Delehant commented:

- Primary thing that triggered the evaluation is the age of the current fleet of garbage trucks
- Discovered the cost of a new garbage truck is approximately \$250,000 and the cost of the new roll off truck is approximately \$150,000
- This new process would require redesign of the two sites that were evaluated (Walnut Cove and Pinnacle)
- Have Steve Cowie and Alex Everhart from Joyce Engineering at today's meeting to discuss the report that was provided to the Board

Mr. Cowie presented the following information:

- Purpose of the evaluation is to provide the County with a cost/benefit analysis for proposed upgrades to two of the County's solid waste and recycling convenience centers (two proposed sites are Pinnacle and Walnut Cove)
- Believe the proposed changes would result in sites that work much better and offer a better service to the citizens in Stokes County for several reasons:
 - Segregation of recycling and MSW containers, making more efficient use of the space
 - Allow multiple users to access the MSW in a drive-through setup
 - Greatly increase the waste handling capacity
 - Allow sites to function into the future as population and waste volumes grow
 - The customers at these sites will benefit from a greater level of convenience and safety since traffic congestion and wait times should be reduced
 - Less containers to purchase
 - Use of space more efficient
 - Lower cost of trucks
 - Less maintenance with the roll off truck
- The County has seven (7) convenience center sites for drop off of bagged household municipal solid waste (MSW) and recyclables with approximately 10 greenboxes at each site
- County does the hauling for the MSW
- 2012 Percentage of visits to each site (295,890 site visits for 2012)
 - Walnut Cove = 28.37%
 - Pinnacle = 31.67%
 - Pine Hall = 10.77%
 - Lawsonville = 7.86%
 - Francisco = 6.23%
 - Sandy Ridge = 12.28%
 - HWY #66 = 2.82%
- The Walnut Cove and the Pinnacle Sites represents approximately 60% of the visits
- Proposed Changes:
 - Switch to two (2) 40-cy roll-off style enclosed containers for MSW management
 - Install 2 compactors to be used in conjunction with the enclosed 40-cy containers for MSW collection

- Expand the area of paved surface to allow three (3) drive-through lanes for traffic to the MSW containers
- Construct a saw-tooth shaped 4' high wall for placement of the new, larger, recycling boxes
- The 40-cy roll off containers are designed to roll onto the back of a type of truck that pulls the container with cables
- When the container is full, the truck can be scheduled to come to the site and swap a new, empty container for the full one
- The County could provide its own open top 40-cy roll off container for collection of C&D material at the transfer station and could haul that material to Hanes Mill Road Landfill saving cost for hiring someone else to haul the C&D (estimated cost each year is \$30,000 for C&D Hauling) (could save at least \$10,000 annually)
- Project a savings with being able to haul metal to the vendor for resale (price for the metal is dictated by the buyer who hauls the metal from the Landfill)
- Not safe to leave trash on the dumpster truck at night, it is a fire hazard
- At times, the dumpster truck is half full at the end of the day and must drive to Winston Salem to empty the truck
- Roll off trucks get much better gas mileage
- Financial Evaluation:
 - Estimated capital cost for the site and hauling changes for both Pinnacle and Walnut Cove:
 - New Roll-Off Truck = \$180,000
 - Used Roll-Off Truck = \$55,000 (includes trade in of front loader) will be used as a backup
 - Compactors & Containers - \$107,020
 - Site Construction - \$273,490
 - Total = \$615,510
- Estimated savings should be at least \$20,000 to \$30,000 per year
- Primary driver for the project is the safety issues along with better service to the citizens
- Work done in this evaluation is very preliminary
- If this is a good project for the County to pursue, would take a closer look, get detailed designs and fine tune the cost for the project before going forward

County Manager Morris commented:

- If you offset the cost of the more expensive trucks, the more maintenance required for the hydraulics, gas mileage, etc. the cost estimates may even be lower

Public Works Director Mark Delehant commented:

- Lot of the savings are not factored in as mentioned by the manager
- Really hard to factor in some of the savings
- For example: price of metal
 - DH Griffin does not charge for hauling away metal, but only gives the County 15 cents per pound
 - Current price of metal today is approximately 55 cents per pound

- With a roll off truck, County can haul their own metal
- Generated 60 tons of metal last year per Landfill Supervisor Harry France
- Current garbage trucks get approximately 3 miles per gallon; new roll off trucks would get approximately 6 miles per gallon
- Would eliminate hauling half loads

Manager Morris noted the safety of the citizens is a huge factor to consider.

Vice Chairman Booth confirmed with Landfill Supervisor France that it takes 25 approximately greenbox containers to fill up a garbage truck.

Vice Chairman Booth confirmed with Steve Cowie that the number of hauls would slightly increase, but there would be the cost savings in the miles per gallon.

Manager Morris noted there would not have to be any future purchases of greenbox containers (10 boxes cost \$8,000) for those sites being considered for the project.

Director Delehant responded:

- Feel the roll off containers will last longer than the greenbox containers which are banged and beaten each time the front loader truck picks up the box
- Will always need front loader trucks because of the schools, hospital, etc.

Vice Chairman Booth commented:

- Should look at the smaller sites which might possibly have a need for a compactor

Chairman Lankford commented:

- Questioned if the compactor had to be stationary?
- Have seen other counties' sites that only have one compactor
- What is the need for two compactors at each site?
- What is the cost of a compactor?
- How many hauls does the County currently make per day?

Mr. Cowie responded:

- Compactor would need to be stationary
- The cost of a compactor is approximately \$14,000
- Having two would give the County more flexibility
- Could run both at the same time to handle more waste
- Can consider only one compactor at each site, but feel it would be more efficient with two compactors at each site

Director Delehant responded:

- Two compactors at the site was my request, would not have anywhere to put the trash if the compactor was full and waiting for a truck to empty the compactor

- Cost of a compactor is approximately \$6,100
- Per the permit, can't allow trash to be placed on the ground if the compactor was full

Supervisor Harry France responded:

- The number of hauls is different each day:
 - Mondays, Fridays, and Saturdays – making two (2) and sometimes three (3) per day
 - Tuesdays, Wednesdays, and Thursdays – making one (1) and sometimes two (2) per day
- Would cut down on the number of hauls per day
- Would not make a haul unless the compactor is full

Vice Chairman Booth confirmed with Director Delehant that the compactor would hold slightly less than the current front loader garbage trucks.

Mr. Cowy responded:

- Estimated the number of hauls to be 300 currently per year from these sites
- Estimate the number of hauls to slightly increase to maybe 350 per year from these sites using the compactors
- Not sure how many dumpsters it would take to fill up a compactor

Commissioner Walker questioned how much tonnage does the current garbage truck hold?

Supervisor France responded:

- Put anywhere from eight (8) to ten (10) tons on the truck

Commissioner Walker noted that the compactor holds 8 tons which would basically be a garbage truck load.

Chairman Lankford confirmed with Supervisor France that the staff is using recycled oil to heat the shop building.

Commissioner Walker questioned what is Joyce Engineering's involvement with the proposed operation?

Mr. Cowie responded:

- Joyce Engineering is a consulting company that specializes in waste management
- Our role is to prepare evaluations, plans, etc.
- To be a consultant to Director Delehant

Director Delehant responded:

- Joyce Engineering has contracted with Stokes County long before I came to the County
- They monitor the former Landfill

Commissioner Walker commented:

- Appreciate Joyce Engineering's involvement with this particular issue
- See potential here particularly when you add the increased revenue from hauling the metal
- Feel the estimate is very conservative – other potential savings
- This is my kind of being a conservative when you spend money up front and save, not only what we spent, but make money for the future and be better off in the process
- This is talking my language
- Find this interesting and encouraging especially when you can improve things along with saving money
- Where does recycling factor in?
- Confirmed with Mr. Cowie that the truck maintenance is less with no hydraulics and the boxes are not used and picked up and down as much as the greenbox boxes which should last longer
- Confirmed with Mr. Cowie that there is low maintenance for the compactors
- Confirmed with Mr. Cowie that Joyce Engineering works with counties in NC, SC, VA
- Confirmed with Mr. Cowie that the current setup in Stokes County is similar to other rural counties the size of Stokes
- What would be Joyce Engineering's professional recommendation based on the information provided for Stokes County?

Director Delehant responded:

- Currently signed a new contract with Waste Management that provides profit to them by hauling all the recyclables
- There is one issue with the recyclables, there is only one place to haul recyclables which is to the new Waste Management facility in Winston Salem
- Locked in this contract for a couple of years
- Can do the metal, there is no contract
- Can haul the C&D, there is no contract
- Can look at the recyclables when the contract expires

Mr. Cowie responded:

- Our recommendation would to look at doing the project changes at the two busiest sites (Walnut Cove and Pinnacle)
- Feel it is a good idea
- More efficient way to run the sites
- Lot of similar sites are phasing their sites out and going with this type of operation

Commissioner Walker confirmed with Mr. Cowie that an evaluation could be done to see if the smaller sites could get by with using only one compactor; could use an open top container if the compactor was full and waiting for a truck.

Commissioner Walker questioned the amount of time needed for the conversion?

Mr. Cowie responded:

- Would probably take approximately 4-6 weeks for the entire project
- Could do one at the time, probably starting at Walnut Cove
- Recommend the County seriously look at this option

Commissioner Walker noted that the citizens in the past with other issues have expressed concerns with big trucks on the roads in Stokes County.

Director Delehant noted:

- Pinnacle Site has slightly more volume than Walnut Cove, but the distance from Walnut Cove to Hanes Mill is further which takes more fuel consumption
- Walnut Cove does have safety issues

County Manager Morris suggested getting with Joyce Engineering and Director Delehant/staff before the budget work sessions in January, to refine the cost estimates.

The Board had no issues with having new cost estimates for the January budget work sessions.

Chairman Lankford expressed appreciation to representatives from Joyce Engineering for their presentation.

Manager Morris provided the Board, at the request of Commissioner Inman, a budget execution review as of 10-31-2013 detailing revenues and expenditures.

Manager Morris noted that this type of report can be given each quarter if so desired by the Board.

Manager Morris continued his presentation:

Community Care Network of Carolinas (CCNC) funding reduction, Health Dept

- CCNC funding is being reduced in FY2013/14 budget
 - Addressing reduction with Title 19 Funding for this year but uncertain for Fiscal Year 2014/15

County Manager Morris noted:

- Received a \$80,000 cut for fiscal year 2013-14 from this federal funding
- Health Director feels he can address this shortage with Title XIX Funding for fiscal year 2013-14, but not sure what will happen with fiscal year 2014-15
- This is just another example of federal funding cuts that just come out of the blue
- Funds are used for salaries
- Would have to look at possible layoffs if there was no other funding available
- Suggested the BOCC start thinking about what are we going to do when we start losing state/federal funding in DSS and Health?
- Are we going to supplant some of it, all of it, or none of it?
- Need to think about this as a possible policy issue
- Can address each one individually or develop a policy

Commissioner Walker commented:

- This is an issue that we may have to deal with at some point
- It is not so much what we want to do or even reasonably what we need to do in some instances, it is either we find more revenues to replace missing revenues or reduce and/or cut services
- One thing that must be considered is how can we afford to have our Health Department configured for the future.
- Are mandated to provide a certain range of services
- Stokes County is way above those mandates
- Have had citizens over the years, question why the County continues to offer the range of services it does at the Health Department, why not go back to the basic?

Commissioner Jones questioned if the Manager had been thinking about what his recommendation would be regarding cuts like this?

Manager Morris responded:

- Will not recommend supplanting federal and state funding in hardly any case
- One thing that will have to be considered – Obamacare is creating massive increases in Medicaid
- All the private hospitals like Novant are saying that they will be putting a cap on Medicaid
- Once the cap is met, those people will have to find a place to go – Health Departments
- These sources are working against you

OZAB / QSCB reductions

- Further reductions in tax refund could require refinancing of school debt with higher cost to the County for school construction projects

County Manager Morris noted:

- Has been messed with two years in a row
- If this is eliminated, will definitely have to refinance
- Have not heard any indication yet about the future of these bonds

New signage for Govt Center

- Need to look at upgrade to signage to reduce confusion to the Public of office locations at the Government Center complex

County Manager Morris commented:

- Tried last year, but funding was not there
- Have been asked from the Clerk of Court about some type of temporary signage for the Government Center and the Administrative Building
- Will have some type of proposal for the budget and do some kind of temporary signage

Employee Bonus or COLA?

- Need to decide if either will be considered for inclusion in the FY 2014/15 Budget

County Manager Morris commented:

- Will need to decide

Moving / renovation costs

- Need to evaluate need for funding for personnel / office moves within County buildings

County Manager Morris noted:

- Have been looking at relocations since the moving of the E911 Center tempting to get the Emergency Services as consolidated as possible in the Government Center
- Have moved the Fire Marshal to the Government Center
- Looking at the flow and efficiency of the Elections Office
- Working a position to try to consolidate the probation offices that would get them out of the secured areas
- Have put Sheriff Marshall kind of in charge of the Government Center space
- Will be working closely with the Election Board
- Relocations could possibly result in some minor costs
- Will put together a plan with a cost estimate before the budget work sessions in January to show the whole picture

Capital Reserve Voting Machines

- Need to decide if additional capital will be set aside for future purchase of new voting machines in 2017/18

County Manager Morris noted:

- \$35,000 is in capital reserve for this project
- Had received help from HAVA Grant in the past
- Have been told there is no longer HAVA funding
- Estimated cost is \$200,000+
- Question is whether to keep putting funding in capital reserve?
- Could be financed

Chairman Lankford noted that grant funding could be available for the purchase of the new machines after 2014.

New tax software (cost avoidance this year)

- Need to gain additional insight on costs, schedule and network impacts before finalizing decision to make change

County Manager Morris noted:

- Have already dealt with this issue

Gap Filling – Meadows Water / Sewer Project

- We may need to fill funding gaps from a cash flow perspective on the water/sewer project during construction to cover any fluctuations in the funding stream from grant funding sources
 - These funding gaps would be reimbursed from grant funding sources

County Manager Morris noted:

- In good shape as far as funding
- A few loose ends to finish up especially the one with the Rural Center which seems to be working out
- A possible new grant from PTRC will probably come through with a couple of hundred thousand
- Pilot View should start the bidding process in December 2013
- Could have some funding gaps due to cash flow

Land Use Plan Funding Shares for FY 2014/15

- Need to discuss funding shares for 2nd half of matching funds for Land Use plan

County Manager Morris noted:

- Need to think about the \$15,000 match for next year
- County paid \$10,000 of the \$15,000 match this fiscal year with municipalities paying \$5,000
- Need to consider if the same arrangement will be for the Fiscal Year 2014-15 budget

Budget Policy Issues for FY 2014/15

- School System fund balance level?
- 15% debt limit for the County

- Philosophy on fees for services to raise additional revenue
- Supplanting of Federal & State funding reductions
- Property tax increase, yes or no or decide later
- Minimum acceptable remaining fund balance in General Fund, if used to balance budget

County Manager Morris noted:

- Need to be thinking about the above budget policy
- Need to be thinking about the philosophy for the services used by the people, should people who use the service be responsible to pay for the services
- Need to look at any way to raise more revenue
- Have already talked about a few of these
- Need to think about an acceptable number for the remaining fund balance, I have been recommending no lower than 20%

Commissioner Walker commented:

- Fees for services do get the citizens' attention in an adverse way
- Sometimes it is pretty quick or strong
- When you look at county services and who is benefitting from county services, it is never totally fair, will never be
- Not taking anything off the table as far as revenues
- Would like to see from these budget sessions, direction to the manager so that he can present options
- Things are not going to be the same
- When does the Fund Balance percentage start to impact the County's credit?

Finance Director Edwards responded:

- LGC requires at least 8%
- LGC looks at the Fund Balance comparison of similar counties especially if the County is going out for debt which is about at the 20% mark
- Would need to look at the new data to know what this year's percentage would be

Commissioner Inman responded:

- Have seen those figures from similar and/or like counties, it is around the 26 to 27% range
- Referring to the philosophy on fees, feel the Board should incorporate a county philosophy that would incorporate a school system fund balance, debt limit, fees, etc.
- Would like to see this Board do that
- Budget is made up of revenues and expenditures, you must continue to reduce expenditures and those expenditures based on a little bit of inflation are always going to continue to go up
- If we can't come up with new revenues, you must cut expenditures that eventually may lead to cutting whole departments
- Would like to see the Board adopt a philosophy when it comes to spending, debt limit, etc.

Commissioner Walker commented:

- A lot of what I was heading for was just said by Commissioner Inman

- All this works together
- It all comes down to how to get all these pieces to fit together
- When you answer the questions on fees, debt limit, supplanting federal/state funding, etc., it is pushing the Board to the bigger question of what to do with the rate of property taxes

Commissioner Inman commented:

- Putting all those things together as mentioned by Commissioner Walker will dictate the rate for property taxes
- Do disagree with one thing with Commissioner Walker – you indicated in our last budget that you couldn't go with that budget; the manager came to us with what this Board directed him to do – bring a budget with no tax increase
- With that directive, it told him he would have to dip into the Fund Balance if you are keeping the same service without a tax increase

Commissioner Walker responded:

- Can discuss that at a future meeting, but that was not my sole reason for not supporting the budget; there were other things within the budget and this was like a business as usual budget and not a business as usual year

Commissioner Inman responded:

- Without increasing the tax rate and not dipping into the Fund Balance, he would had to possibly cut entire departments out – that was my point

Commissioner Walker noted Commissioner Inman made a very good point.

Commissioner Jones commented:

- There are powers at be that keep changing things making it harder
- Federal and state cuts
- Increase costs
- The percentage changes each year of similar counties that one must be compared to for borrow funding
- Unfunded mandates

The Board discussed the County's estimated Fund Balance.

Commissioner Inman noted that the percentage of similar counties is derived from what similar/like counties have done with their fund balance; it has nothing to do with NCACC.

Commissioner Walker questioned Finance Director Edwards regarding the County's estimated Fund Balance?

Director Edwards commented:

- Haven't got the final audit yet
- Should be around 25%

Potential Unfunded Mandates

- Relocation of probation officers
- QZAB / QSCB further reductions
- Additional Federal / State funding reductions to DSS and Health Dept
- Heat & cooling of animal transport boxes

County Manager Morris noted:

- Have already covered most of these
- In 2009, an unfunded mandate made it the county's responsibility to cover the probation officers' location costs
- An effort is underway that may mandate the county heat and cool the animal transport boxes which could be a couple of hundred dollars per box – another unfunded mandate

In Summary, So What's Important?

County Manager Morris noted the following were just a few things to be thinking about before the next work sessions in January 2014:

- Continuing to re-baseline county budget to absorb revenue shortfalls, specifically Hold Harmless and Reval
 - Will budget receive major structural changes during FY 2014/15 or will taxes and/or fund balance be used to balance budget?
 - How fast should this re-baselining occur?
- Aggressively pursuing tenants for Autumn Square office space to pay for debt on building
- Reduce personnel turnover by keeping employee compensation as competitive as possible
- Maintaining an adequate fund balance to meet financing requirements for new debt
- Maintaining adequate service levels to citizens
- Keeping tax rates and fund balance acceptable

Vice Chairman Booth commented:

- Would like to commend Manager Morris on the renting of Autumn Square office space which pays the debt service – no taxpayer dollars paying for the debt service
- Understands there are two additional offices that can be rented

County Manager Morris noted the following backup charts are informational:

Personnel Turnover Rates

- Turnover rate for county personnel is approximately 20% annually over past two years
- This is a major concern because of the expense associated with training new personnel and processing personnel in and out on a constant basis
- Number one reason given for departures is compensation level
- 2% COLA in FY 2013/14 addressed this issue
- Not many private businesses could stay in business with turnover at this level

Solid Waste Study

- The Director of Public Works has received the report on a study he initiated to convert two of the sites to the roll off containers.
- This item was not included in the FY 2013/14 Budget recommendation because new garbage trucks were not required last year
- This issue will be addressed in the FY2014/15 Budget proposal because we are reaching the point with current trucks that replacements will be required and we will need to decide which way we plan to proceed

Commissioner Inman questioned Finance Director Edwards why Article 40 (½ cent Sales Tax) ends up being more projected revenue than the one cent sales tax?

Director Edwards noted it is the formulation done by the Department of Revenue.

Commissioner Inman requested the Finance Director to provide the BOCC with information regarding the amount of revenue a ½ sales tax, which is an option to counties, would bring to Stokes County.

Chairman Lankford noted that Yadkin County voters recently turned down that ½ cent sales tax.

Finance Director Edwards briefly discussed the Budget Execution Review Report provided to the BOCC.

Chairman Lankford noted the next work session is scheduled for January 14, 2014.

Commissioner Walker requested the manager, before the next work session, to get input from department heads regarding suggestions of cutting expenses or operating more efficiently in their departments that could be considered.

Commissioner Walker noted the dynamics are in place, unless something changes, it is going to get to where it hurts.

Adjournment

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

Vice Chairman Booth moved to adjourn the Goals/Budget Guidance Work Session.

Commissioner Jones seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman