

STATE OF NORTH CAROLINA)
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COUNTY OF STOKES)
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OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
JUNE 11, 2014

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Budget Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Wednesday, June 11, 2014, at 10:00 am with the following members present:

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

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

Chairman James Booth called the Budget Work Session to order and welcomed those in attendance.

Vice Chairman Jones delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

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

Budget Work Session

Chairman Booth turned the Budget Work Session over to County Manager Rick Morris.

County Manager Morris provided written answers to the questions that had previously been asked by Board members during Work Sessions #1 and #2.

The following was provided to Board:

Answers to Questions From Budget Sessions 1 and 2

- **What is current Capital Reserve Balance?**
 - *Capital Reserve Balance as of 06/06/14 \$883,197. There will be adjustment to this balance at your board meeting 06/23/14.*

- **What is the savings of adding two Social Services Social Worker II positions to replace two contract workers?**
 - *Savings is \$17,132*
 - *Funding breakout of new positions is - Federal \$56,464, State 15,834 and County \$3,764*

- **What is the recent history of payoffs from Leave Contingency Line Item?**
 - *Leave Payoff Contingency- Amount spent per fiscal year shown below:*
 - *2004-05 \$100,000*
 - *2005-06 \$100,000*
 - *2006-07 \$100,000*
 - *2007-08 \$86,816*
 - *2008-09 \$93,560*
 - *2009-10 \$100,000*
 - *2010-11 \$100,000*
 - *2011-12 \$62,401*
 - *2012-13 \$66,463*
 - *2013-14 \$34,794*
 - *If a department has lapsed salaries the funds are not transferred.*
 - *FY 13-14 totals as of 05/31/14 are as followed:*
 - *Vacation \$52,707.82*
 - *Holiday \$4,587.94*
 - *Comp Time \$18,818.22*
 - *DSS NC Fast \$3,988.08*
 - *Total \$80,102.06*

- **What are the monthly amounts of fees billed by the State and County to collect motor vehicle fees?**
 - *Amounts are shown below (Left column includes municipalities and right column is*
 - *county share only):*

▪ <u>October</u>	\$9,185.65	County	\$8,150.47
▪ <u>November</u>	\$3,831.19	County	\$3,426.59
▪ <u>December</u>	\$15,297.05	County	\$13,650.39
▪ <u>January</u>	\$10,118.29	County	\$9,085.83
▪ <u>February</u>	\$4,700.00	County	\$4,200.81
▪ <u>March</u>	\$16,475.72	County	\$14,804.93

▪ <u>April</u>	\$10,837.61	County	\$9,690.50
▪ <u>Total</u>	\$70,445.51 (Oct-Apr)	County	\$63,009.52

- Average Monthly Cost \$9,001.36 (seven months)
 - Note the State did not start billing in July and the County was not charged anything for the month of August or September for fees.
- When the County was billing and collecting the yearly cost was approx. \$94,250.
- **What is recent history of Federal and State Fines & Forfeiture Funds?**
 - Attached is a list of what State Fines and Forfeitures were spent for and below is what Federal Fines & Forfeitures were spent for. Also, the balance in these funds.
 - Federal Fines & Forfeitures balance as of 06/09/14 \$25,289.53
 - Investigate equipment \$1,424
 - Investigate equipment and special operations \$689
 - Meth Lab Certification \$601
 - Investigate equipment \$2,091
 - NCNEOA Conference for Narcotics officers #1,688
 - State Fines & Forfeitures balance as of 06/09/14 \$18,158.55
- **What is the contingency amount for the Lawsonville School Project?**
 - Attached is the Global Budget that was given to LGC by the School System
- **What are the details of the Debt owed by the County?**
 - A detailed Debt Service statement is attached
- **What were the participant numbers for Stokes County for the YMCA contract?**
 - The FY 2013-14 Program Participant Numbers from the YMCA are attached
- **What are the EMS part-time rates for surrounding counties?**
 - Part Time Rate information for surrounding counties is attached
- **How were HVAC replacement costs for Capital Reserve derived, and what are the ages of the HVAC systems included in the estimates?**
 - Detailed estimates from Public Buildings and support documentation from the HVAC contractor are attached.
- **State Fines and Forfeitures**
 - Since 09-10-12, \$54,994.00 has been allocated by the Sheriff (detailed listing provided to the Board)
 - State Fines and Forfeitures allocation is at the sole discretion of the Sheriff
 - Sheriff desires to let the Board know what funding is being used for and budget amendments provides documentation to where funding is allocated

Lawsonville Elementary School Addition

Construction Costs

Site Development Cost	100,000	
Accessibility Cost (parking)	150,000	
Construction Cost	1,095,860	
Construction Contingency	60,564	
Escalation Cost	-	
Total Projected Construction Costs		1,406,424

Administration Costs

Architect/Engineering Fees	80,000	
Plan Reviews/Permits	1,000	
Printing Cost	3,000	
Legal Fees	-	
Advertising Cost	1,500	
Contingency	3,000	

Total Administration Costs **88,500**

Furniture/Fixtures/Equipment **65,000**

Technology **140,000**

Additional Expense Allowances

Renovations of Existing Building	150,640	
Pre-Construction Expenses	25,000	
Topographic/Boundary Survey	7,000	
Geotechnical Fees	8,000	
Special Inspections/Testing	15,000	
Utilities Upgrades	75,000	Water/Sewer/Elect./Etc.
Total Additional Allowances	280,640	

Total Projected Global Budget	1,980,564
Total Projected Global Budget	1,980,564
Construction Contingency	(60,564)
Total Administration Costs	<u>(88,500)</u>
Total on LGC Application	\$1,831,500

- Debt Schedule as of 06-30-2014
 - Included detailed information regarding the County's debt schedule as of 06-30-2014
- 2013-2014 Program Participant Numbers
 - Wellness Programs = 2,849
 - Family Programs = 1,871
 - Sports = 1,006
 - Day Camp = 1,258
 - After School = 1,044
 - Total = 8,028
- Part time rates for surrounding EMT Basic, Intermediate, and Paramedic
- Replacement of HVAC Equipment that has exceeded its normal service life = \$173,000
 - E911 Building = \$16,000
 - Health Department = \$32,000
 - DSS = \$9,000
 - Pioneer Community Hospital of Stokes = \$117,000
- Comparison of Counties our size (25,000-50,000) for the F/Y 2013-14 School Budget Appropriation per NCACC
- State and Federal Allotments from the School System for Fiscal Year 2014-15
- Stokes County Board of Education – Comprehensive Annual Financial Statements
- School Funding for FY 2014-15

School Funding FY 2014-15

Expenditures

Current Expense	\$ 10,211,763.00
Capital Outlay	\$ 1,600,000.00
FY 2014-15 Debt Service *	<u>\$ 4,265,628.00</u>

Total Appropriations \$ **16,077,391.00**

**Less Other Revenues \$ (2,849,807.00)

Total Appropriation after other revenues \$ **13,227,584.00**

59.61% Percentage of Ad Valorem Taxes

Revenues

General Fund-Ad Valorem	\$	19,042,699.00
General Fund-State Motor Vehicle	\$	1,761,586.00
4 cent Fund-Ad Valorem	\$	1,269,513.00
4 cent Fund-State Motor Vehicle	\$	117,437.00

Total Taxes \$ **22,191,235.00**

Other Revenues

Schools-Sales Tax	\$	1,600,000.00
Lottery-Debt Service	\$	400,000.00
IRS Refund	\$	849,807.00

****Total Other Revenues** \$ **2,849,807.00**

Debt Services

Debt Services	\$	4,407,758.00
Less FY 201415 Community College debt service (Early College/Land)	\$	(142,130.00)

Total School Debt * \$ **4,265,628.00**

Debt Service

Debt Service	Debt Service		Total Debt as of 06/30/14
	Amount	Principal	
GO Debt 1996 & 1998	\$ 13,385,000.00	\$ 4,630,000.00	\$ 5,067,200.00
PODS 2009	\$ 1,046,000.00	\$ 763,333.30	\$ 934,205.46
Land 2009	\$ 1,454,000.00	\$ 1,090,500.00	\$ 1,421,139.68
Nancy Reynolds/Community College 2011	\$ 8,995,460.00	\$ 8,838,860.00	\$ 13,349,441.72
QSCB	\$ 16,268,911.00	\$ 13,397,926.72	\$ 14,741,738.56
QZAB	\$ 2,700,000.00	\$ 2,223,529.41	\$ 2,446,549.41
Lawsonville School 2013	\$ 2,100,000.00	\$ 2,100,000.00	\$ 2,509,920.00
Total School Debt	\$ 45,949,371.00	\$ 33,044,149.43	\$ 40,470,194.83
Community College (Early College/Land)	\$ 2,504,540.00	\$ 2,461,140.00	\$ 3,717,090.78
Total School Debt with Community College	\$ 48,453,911.00	\$ 35,505,289.43	\$ 44,187,285.61

- All backup information is available from the Clerk to the Board or Finance Director
County Manager Morris noted if more clarification is needed, please advise staff.

Chairman Booth opened the floor for discussion.

Vice Chairman Jones commented:

- Confirmed with Finance Director Edwards that private placement financing is usually with banks instead of COPS or GO Bonds

County Manager Morris commented:

- There are four financing arrangements for counties
 - Certificates of Participation
 - GO Bonds
 - Private Placement
 - Revenue Bonds

Vice Chairman Jones confirmed with Finance Director Edwards that the calculation provided (59.61% of Ad Valorem Taxes) that will be used for FY 2014-15 school funding does not include funding for the Early College.

Vice Chairman Jones questioned Finance Director Edwards what the percentage would it be if the Early College was included?

Finance Director Edwards responded:

- 60.24% includes the purchase of the land and PODS

County Manager Morris responded:

- That percentage does not include the debt for the upcoming community college

Commissioner Lankford commented:

- Feel with that tax percentage, it is a proven fact that we are an education commission; pro education commission
- Don't know of any other county our size that is close to that percentage
- Tremendous amount of funding being allocated
- School System also receives state and federal allocations
- Budget for the Board of Education (\$60 million +) is much more than the County (\$43 million)
- Don't think that anyone can deny that the County has not properly funded education

Chairman Booth commented:

- Must keep in mind that ad valorem taxes also provide funding to help operate the rest of the county departments since there is not much industry in Stokes County

County Manager Morris suggested the Board review the information provided for any further questions or additional information.

County Manager Morris commented:

- Will start having budget work sessions in mid-November this year for the FY 2015-2016 Budget
- Would like guidance from the Board of Commissioners by the time the budget is adopted regarding specific areas that staff needs to include in the work sessions in November
- There will be a lot of really hard decisions to make
- Will have to look at expenditures, revenues, cuts, etc. to make next year's budget work
- Will have to be very creative
- Would like direction on what the Board would like for staff to do between July and November to get ready for those upcoming work sessions in November and December
- Will need to decide what needs to be cut and if there are any new revenues in order to give departments guidance for the FY 2015-16
- Will need to start doing budget work sessions in November instead of goal sessions
- Need to see if the County wants to increase sales tax which may need some lead time

Commissioner Inman commented:

- Agree with Manager Morris
- Have said many times, depending solely on ad valorem taxes, is not a sustainable model
- Seeing that played out right now along with a down economy
- Have to keep in mind a majority of ad valorem taxes is spent on education
- How long can the County sustain all these other revenue cuts and increased expenditures without continuing to increase your ad valorem tax rate?
- Reach a point, you can no longer do that, that is not even sustainable because the taxpayer is not going to allow you to keep raising his taxes
- If you could not take out of the Fund Balance this year and next year, the reality is that taxes would need to be raised 7 cents this year and could come back and have to do the same thing the next year
- Disagree on one point with Manager Morris, by doing the budget work sessions, we are actually doing goals, a five-year and a ten-year goals plan to survive, to keep the County fiscally sustainable is what I would call it
- Think it will take a combination of things, don't believe you can do just one thing
- Can't raise the taxes enough to replace \$3 million in one year without any additional increase
- It is going to take a major cut in departments
- Will have to look very seriously at a tax increase component
- Will have to look at an ad valorem tax and a sales tax increase both
- Would say, in my opinion, sales tax is the fairest across the board for all citizens because it is voluntary and not every citizen owns property
- Ad valorem property taxpayers are supporting the entire county
- Know everyone can't be a homeowner, but if you are not a homeowner and have two children in school, that is approximately \$4,400 that came from someone's else ad valorem taxes
- Lottery was sold to the people of this state to build schools

- Stokes County started out getting approximately \$800,000 for school construction
- Lottery has been cut in half, Stokes County is now getting approximately \$400,000
- There is another one+ cent tax that has to be replaced
- Want to make a correction to something I said at our last budget meeting, the House budget will use the increase in lottery proceeds by going from 1% to 2% advertising to pay for teachers' salary increases, not to get us back to 40% level

Vice Chairman Jones commented:

- Need to work on getting the lottery restored to its original language

County Manager Morris commented:

- Have already been looking at ways to cut the departments, that is going to be very hard thing to do, budgets are already lean
- May need to go back to Commissioner Walker's comments and replace the budget work session message to "The New-Normal Budget" next year

Finance Director Edwards commented:

- There is a proposal in the state budget to not allow lottery funding to be used to pledge against debt incurred after July 1, 2014
- Can't use lottery funding for the construction of the community college

Commissioner Inman commented:

- Will probably be some time before this county incurs any school debt, not talking about repairs, strictly speaking about new construction

Commissioner Walker commented:

- With the completion of the community college, have probably done more in that specific period of time than was done in several, several years

Commissioner Lankford commented:

- Noted the \$25 million bond, along with the State Bond Referendum that the County received \$10 million, when Piney Grove Middle School and West Stokes High School were constructed

Commissioner Inman commented:

- Can safely say that these last school construction and renovation projects are the most significant thing done in the past 20 years

Chairman Booth commented:

- Need to keep in mind, this was all done without a bond referendum

Commissioner Walker commented:

- If Commissioner Inman's estimate of 7 cents tax increase next year and 7 cents tax increase the year after, (14 cents total tax increase, would put the County entire tax rate to be almost 85 cents per \$100 value
- That would put us to a disadvantage to surrounding counties as far as someone wanting to move a business to Stokes County, start a business here, or move here

- That would be enough to get people's attention
- That is what concerns me about this year's budget
- Manager Morris, very justifiable so, has shared his thoughts about the crunch that will be next year to make some of these agonizing and painful decisions and whether it impacts employees' insurance, employees' salaries, cutting departments, cutting jobs, reducing services to the citizens, the list can go on and on
- There are going to be some very tough decisions to have to make
- My preference would have been, know that it is an election year and makes questions for those seeking re-election, you have to deal with things as they happen at least to some extent
- We have a lot of business as usual components in this year's budget
- Feel like we might have missed the boat a little bit by not starting some of those cuts now
- We know that they are coming and every penny added in this year's budget is going to be added to that tax increase when it comes or more money taken from the General Fund
- Either of these two, to me, are not good things to have to deal with
- I really think after doing some research on previous budgets, a previous manager's budget message of 2009-10 stated there had to be cuts because the proposed budget then was not sustainable
- County was very fortunate to be able to take the Hold Harmless funding and build up our Fund Balance
- Feel we used the Hold Harmless funding wisely
- Did a lot of capital improvements with it, non recurring expenses
- Along with trying to be fair to our employees, fair to the citizens, fair to all other governmental units, fair to schools, etc., we have to really be willing to deal with reality
- Not sure I have seen as much attention directed in that direction as I feel like might be adequate and appropriate in these times
- We do have a "new normal"
- Until things changes, it is not business as usual when we are talking about appropriating \$2.8 million from the Fund Balance
- It is estimated, should the Walmart come and it appears it might, it would generate approximately \$700,000 annually for the County in revenue
- That is only ¼ of what we are appropriating this year
- Another thing, we talk about cuts and increasing taxes to increase revenue, I feel we are missing the main point of what we need to be looking at
- There needs to be more than a token effort by this County for economic development
- I am not talking about just this governing board
- When you talk with candidates, citizens, the number one most important issue, as far as I can determine, is jobs along with the economy

Commissioner Inman commented:

- That is a given, it is not just Stokes County

Commissioner Walker continued:

- When I look at our proposed budget, I question what are we doing
- What is this elected Board doing to try to create jobs?

Commissioner Lankford responded:

- I have been doing a lot, not sure about everyone else

Vice Chairman Jones responded:

- You have to look at the big picture
- You have the community college soon to be built
- You have better schools
- You have the water and sewer project
- The County is setting the tone, but it can't be done overnight
- Feel in the next five years, everyone will see a turnaround, truly believe that
- Walmart coming to Stokes County is huge

Commissioner Walker commented:

- Since I moved to Stokes County, have lost Hasting Company and other large businesses

Commissioner Inman responded:

- Just look at Surry County, the same thing is happening

Commissioner Walker responded:

- Agree with Commissioner Inman that Surry County has also lost businesses, but feel they are a little stronger with economic development than Stokes
- Why do we want to be mediocre?

Commissioner Inman responded:

- We are not mediocre

Commissioner Lankford responded:

- Have to ask why we lost those businesses?

Commissioner Walker responded:

- The company on Dalton Road that went to Yadkin County
- Textiles started closing up all around
- Think Hastings got squeezed out due to heavier competition
- Have not been able to replace those companies

Commissioner Lankford responded:

- Not going to be able to replace them because there is no one out there right now that will invest that kind of money

Commissioner Walker commented:

- If we don't replace jobs, the Board four years or eight years from now will have to face worse decisions than we are facing,

Commissioner Lankford commented:

- That is why we are all working diligently to get more economic development to come to Stokes County
- Feel that it is coming

Vice Chairman Jones commented:

- Agree with Commissioner Lankford that it is coming
- The things that have gone on with the State and Federal Governments have hurt Stokes County such as regulations, taxation, etc.
- These things work against counties like Stokes
- Companies can go to Mexico and get cheap labor, you can see why they are leaving
- It has nothing to do with this Board, this County or our citizens
- It is just the tone that has been set from our legislators for decades
- It is complex, it is not any one answer

Chairman Booth commented:

- Believe the City of King has been doing some good things with economic development in the past two to three years
- Sheetz, possibly a Walmart which will be a great asset to the City of King and the County as far as ad valorem and sales tax, not to mention the creation of jobs
- Agree with my fellow commissioners, love to see new businesses come to the County
- Hope the new infrastructure in the Meadows area will bring in new business
- Small businesses are very important
- Infrastructure is in and has been in King for manufacturing, but tough market to get new businesses
- New businesses, today, have so many choices to go and various incentive packages to choose from

Vice Chairman Jones commented:

- Every time you see a Walmart come to a town, you soon see a Lowes Home Improvement
- There are other stores that soon follow
- Don't think it will end with Walmart

Commissioner Inman commented:

- Mayor of King has stated that the city has already had numerous calls about out parcels
- That is part of the puzzle in putting a sustainable budget together in the future because that is almost 3 cents on the tax
- To go back to the economic development, at the State level, we are seeing two North Carolinas being created right now - the urban which is inside that 73/74- I40 corridor where a huge percentage (possibly as much as 75%) of economic development in North Carolina is concentrated in that hub
- Economic Development Commission has developed a 4-prong strategic plan that has been put in place to retain business, recruit business, tourism, and entrepreneurship
- Have retained some businesses that were on the verge of leaving Stokes County

- Have a great opportunity for tourism in Stokes County – saving Camp Sertoma – will be huge in bringing tourism to Stokes County
- Still need to bring high speed internet to underserved and un-served areas
- This Board did a huge economic development project last month when two new cell towers were approved for Stokes County – entrepreneurs can move into those two locations with at home businesses
- Water line to the community college is not the water line to nowhere as I have heard someone say
- It will bring economic development to the Meadows area
- We can do more, we have been the victim of what has been going on at the state and nationally
- Don't feel that having a 1-2 cent higher tax in Stokes County will stop someone from moving here or starting a business here
- Stokes County has done something very specific for economic development, we have a 65-acre site ready in King; Phase One has been completed and the site is listed on the State Economic Development Site
- Stokes County is working
- Have a new frontier up in Pinnacle right off the exit that needs some attention

Commissioner Lankford responded:

- Don't want to get bogged down in next year's budget until this year is taken care of
- There are several unknowns and according to how things may fall in place that will dictate what kind of reaction that will have to be done next year
- Even though, we need to be proactive in planning, but it comes down to what we have to do this year and how it will impact next year or the next year, that is the kind of focus this Board needs to be on
- Confirmed with Manager Morris the requested budget was \$48,548,537 and the recommended budget is \$43,860,097 which is a difference of \$4,688,440
- Confirmed with Manager Morris it would have took an 83.05 cent tax rate to fund the requested budget of \$48,548,537
- Confirmed with Manager Morris that with the school tax (4 cents) and the fire tax (6.5 cents), the tax rate needed to fund the requested budget, the school fund and the fire departments would be a total of 93.55 cents tax rate
- Would like to know how many commissioners would vote to increase the tax rates to a total of 93.55 cents?

Commissioner Inman questioned Commissioner Lankford exactly where he was going with the 93.55 tax rate, as that includes wants and not all needs?

Commissioner Lankford responded:

- The point I am trying to make is that most of what I hear from departments are wants

Commissioner Inman commented:

- In my opinion, most of what the manager did not recommend are wants

Commissioner Lankford commented:

- You will hear that this Board is not supporting the needs
- Just wanted to make a point between needs and wants

Commissioner Walker confirmed with Finance Director Edwards that the tax rate would have to be 79.45 (including school and fire tax) cents to support the recommended \$43,860,097 budget without using any Fund Balance.

Commissioner Walker reiterated that it would take 79.45 total tax rate to support the recommended budget, school tax, and fire tax for FY 2014-15.

Commissioner Inman questioned the Board if you added approximately \$750,000 to this year's recommended budget, would anyone be willing to increase the tax rate again to sustain that budget?

Chairman Booth commented:

- I am going to be optimistic that the revenues will increase and decrease the need for a big tax increase

Commissioner Lankford commented:

- Believe revenues will increase

Commissioner Walker commented:

- Reality is that there are three possibilities and only three
 - One is you are right and revenues will increase
 - One is it stays the same
 - One is it that it gets worse

Chairman Booth commented:

- Noted the manager had stated there would be approximately \$2 million in the Fund Balance that could be appropriated to balance the FY 2015-16 budget and still maintain a 20% Fund Balance
- Anticipate revenues will increase

Commissioner Walker commented:

- County is operating under this scenario – deleting our savings to balance the budget
- How many people would run their household or business like that and how long could they?

Vice Chairman Jones commented:

- Hope for the best, do what you have to for today, reevaluate each year is what most people have to do

Commissioner Lankford commented:

- County has been in a planning mode for the last 8 years

Commissioner Inman commented:

- Have made some very prudent decisions during those 8 years

Vice Chairman Jones commented:

- Compared to some other counties, we are doing a lot better

Commissioner Inman commented:

- If you take the \$3 million and the \$750,000 expected revenue from Walmart and gain back the 5% valuation loss during the last revaluation which would be approximately \$750,000, that would mean a 5 cent tax increase and continue to hold the line
- This has been a very conservative Board and that has accomplished a lot

Commissioner Lankford commented:

- Even with being a conservative Board, have provided the services with no decrease in services during a big downturn in the economy

Chairman Booth commented:

- Need to remember that the Hold Harmless that went back into the Fund Balance each year has enabled this Board to have the \$2.8 million needed to balance the budget
- Have not done a lot of capital projects except for schools

Commissioner Walker commented:

- Going back in history, prior to Chairman Booth coming on the Board, former Commissioner Carroll did a budget that year included several capital improvements because we knew we needed to shift money to our Fund Balance
- He was very instrumental in how certain components were structured in the budget
- As Manager Morris has pointed out, the Board has been looking ahead and just not looking at what is needed that particular year; looking down the road, not as much as I preferred at times, but at least, we have been looking ahead
- If we had not been taking that approach, could be in a more dire situation now than we actually are

Chairman Booth requested each commissioner to list the hot topics in the recommended budget that they feel needs discussion.

Commissioner Inman commented:

- Have reviewed the manager's recommended budget and tried to do my due diligence looking back at the budget/goal sessions we have had
- Feel the manager has followed our directive almost completely

- Think this Board stated no tax increase
- If no tax increase, you then must start eliminating jobs, not sure anyone is ready to do that
- Want to try to maintain the good level of services our citizens have come to enjoy
- This Fund Balance has been built by pulling back from departments, not from raising taxes
- There are some areas that were “food for thought” for me
 - Not a big proponent of “growing government”
 - Putting something in the budget that becomes a recurring expenditure will have to be added back to your inflationary items that you have no control over
- Want to look closely at the two Social Services’ positions, even though there is a savings, once they are created, you have grown government and they have become recurring items
- Not ready to make a decision yet regarding those two new full time positions
- County employees went a long time without any COLA; recommended COLA is very deserving
- Would like to look at the difference this year between a bonus and a COLA – want something for comparison
- Maybe a \$500 bonus
- Not saying I am going to vote against a COLA, just want something for comparison
- May have other items to discuss later

Finance Director Julia Edwards responded:

- The \$400 bonus would cost approximately \$145,000

Commissioner Walker commented:

- Have spent some time reviewing this recommended budget and comparing it to previous budgets
- As mentioned by Commissioner Inman, the tone of the initial work sessions was to look at ways to make cuts which is never easy
- There are always tough decisions to make when you look at cuts
- When I started going through the budget, have to say that I expected to see more cuts than is actually in this recommended budget
- Think we are postponing the inevitable
- Certain things that I look for in a budget – is it fair, is it consistent by treating all the departments the same (one department’s request ignorant and another department’s similar request recommended)
- Another thing I look for is what are the top priorities of our citizens and how well does this recommended budget mesh with those priorities
- First thing I came to is the Economic Development Department
- Final budget for 2013-14 as \$379,881 and 2014-15 budget request is \$182,881 with the budget recommended being \$182,234
- Realized the difference is the incentive dollars for Wieland
- Would have liked to have seen more of the incentive dollars put in separate fund designated for economic development or a portion put back in the Economic Development Budget

- Haven't gotten far enough into the budget to know exactly what is included in the \$182,234 difference in the Economic Development Budget
- Using that as an example, of how much on target is this budget when we have the citizens' top priority being economic development?
- We had a lot of school folks at the Public Hearing
- If the school folks look at our budget and we are not tightening our budget sufficiently, using this as an example, there is a possibility that the school system might say that you are tightening our budget as allocating the same as last year, but increasing the county budget
- Have to look at how we get all the pieces to fix together in the most fairest, equitable way
- Will stop there for right now

Commissioner Lankford commented:

- Have started going through the budget line item by line item
- Have several questions but don't know if I am fully prepared this morning to discuss each one at this particular moment
- One would be – don't agree with increasing the number of positions for any department
- Have to look down the road and if we have to look at restructuring next year, why would be increasing the number of employees this year
- As far as how we treat our budget with the school system's budget, understand the House budget contains a 5% increase for teachers with the Senate budget containing an 11% increase for teachers
- A 5% increase would be a lot better for this year's budget than an 11% increase
- The state budget includes an increase that would impact the salaries for the local paid teachers which will impact the schools' budget which would have to be considered
- Confirmed with Finance Director Edwards that the school budget includes approximately 19 local paid teachers
- A salary increase also impacts local supplements
- Concerned with the \$2.00 per hour increase for emergency services personnel
- Noted the \$300,000 increase in capital expenditures for the schools – good idea
- The \$600,000 would replace the number one priority last year and this year – North Stokes High School "A" Building roof
- Need to look at COLA versus bonus
- This budget is a 1.79% increase which is \$869,482 increase over last year's budget
- These are a few things that I feel need some more attention

County Manager Morris discussed the difference of part time paramedic hourly rate between the surrounding counties.

County Manager Morris noted that even with the \$2.00 per hour increase, Stokes County is still approximately \$4.00 per hour less.

Chairman Booth confirmed with Manager Morris the \$2.00 per hour is only for 24/7

operations – EMS, Emergency Services, Sherriff's Department and Jail.

Vice Chairman Jones commented:

- I look at the manager to provide the Board with a recommended budget since he is closest to the “battlefield”
- Take your recommendations very seriously and don't question them as much as some people think I should
- Don't want to grow government
- Little shocked we were not closer to \$43 million
- Wasn't expecting almost a 2% increase
- Can't do much about the increases that occur each year
- Employees need a COLA
- Need to try to keep employees, decrease training time/cost, and decrease turnover rate which is costly
- Sometimes being too lean can work against you
- Would like to see what formulas will be needed for the next 3 to 4 years
- Want to provide employees incentives to keep morale up
- Need to keep the Fund Balance at an adequate percentage
- County population is getting older and need to be able to provide the appropriate services
- Lot of the elderly population is on fixed income
- Need to educate our constituents that we are all in this together; bills have to be paid
- Need to look at other ways to get new revenue
- Don't want to take on any new recurring costs
- Population is not increasing that much, don't see any justification to “growing government” by adding on new positions if we don't have to
- Need to think conservative

Commissioner Inman requested Manager Morris provide the Board with an estimate regarding how much would it possibly cost if the \$2.00 per hour for part time emergency services were implemented for the FY 2014-15 year.

County Manager Morris noted there could be additional expenses this year due to the Affordable Care Act which mandates part time employees be put on insurance if they work a specific amount of time.

Chairman Booth commented:

- Agree with the concerns mentioned by each commissioner
- Concerned about recurring items for future budgets
- COLA versus bonus for county employees
- Understand the request of two employees for DSS, but must look closely at this request

- If contracted, the employee can terminate within a specific timeframe, much harder when the employee has to be laid off
- Need to look at the part time rates
- Need to look at hiring more part timers to eliminate having to put part time employees on insurance
- Capital Outlay has been increased by \$300,000 for the schools in the manager's recommended budget
- Board of Commissioners can't dictate how school funding is spent
- Hard for the County to catch up with all the schools' repair needs
- Debt service for Piney Grove Middle School and West Stokes High School will be paid off in three years after this budget year
- May be able to have additional funding at that time for the schools
- Understand there are renovations/repairs needed at the schools
- Listened to the school needs before becoming a commissioner with some still there

Commissioner Lankford commented:

- Agree with the School System that there are schools who have repair needs – Sandy Ridge, Pine Hall, and Pinnacle are three elementary schools that definitely need renovations

Commissioner Inman commented:

- Those three elementary schools were probably the next phase on the priority list

County Manager Morris commented:

- If the two positions in DSS are eliminated, it will take three contract workers in order to avoid paying insurance premiums
- Need to look at federal and state revenues if the two positions are eliminated

Vice Chairman Jones commented:

- If we had a crystal ball and could have seen what was going to happen to our lottery funding, could possibly looked at some renovations instead of construction
- Have a real problem with the fact that there is no accountability – when funding was allocated for a roof but not done and the roof gets worse and it is put in the next year's budget again
- Learned that the County can audit their spending

County Manager Morris responded:

- All the budgets that I have done in other places, had a "one to end list"
- All items capital items would be listed in priority order
- During the budget process, you would determine how much funding you have and draw a line to show which projects that would be funded
- These projects that were funded would be moved to another column and marked funded
- Each year, the list could be reprioritized, things added or deleted before the budget process begins
- Invoicing could be done by the County

- Not sure if the School System would be willing to do a “one to end list “

Vice Chairman Jones commented:

- Feel the “one to end list” would be a very good idea

Chairman Booth commented:

- Had a telephone call from a citizen who has a grandson in the middle school
- The student was having some problems in a couple of classes
- Grandfather questioned his grandson why he never brought home a book
- Child stated that he did not have books to bring home
- Child has do homework in class
- Child has to learn everything in the class
- Don’t know how someone can help a child at home if he has no books to bring home
- Citizen is very concerned that children do not have books to bring home
- Am also concerned about children not having books that can be brought home

Commissioner Inman commented:

- State allotment has been cut considerably over the past several years; decreases again in this year’s budget

Commissioner Lankford commented:

- Teachers have a choice of their teaching method – books or copies
- This have been going on for years and years
- They chose to follow books or use their own copies
- The goal is to teach to each student’s level who is in the class
- Sometimes a book just won’t do that so they choose to use whatever resources are needed to be able to teach to the level of each student in the class
- That is the reason you don’t see a lot of books

Commissioner Inman commented:

- It is a different era, you don’t bring home a stack of books like a student did 20 years ago

Commissioner Walker commented:

- Commissioner Lankford makes a good point – historically, books have been a topic
- Remember a time when kids were selling candy to buy school books, upon investigation, the book situation was not quite the way it was being portrayed to be
- How much we are hearing and seeing is for effect? How much is drama? How much is real? Who has the actual facts? Who is the go to person to find out the answers for roofs, is it David Burge?
- Agree that maintenance is very important
- Have to keep a roof on the building to keep the building in shape
- Wonder where the schools are on maintenance issues?
- Seem to hear a similar story each year

Vice Chairman Jones exited the meeting at 12:00 noon due to an existing appointment.

Commissioner Inman commented:

- Confirmed with Finance Director Edwards there is \$109,428 in a contingency account for economic development to be used at the discretion of the Board of Commissioners
- Used some of this funding for the Phase One which was done on the site ready in King

Commissioner Lankford commented:

- Have another site ready – one in Pine Hall
- Site has rail
- Phase One has been completed

Commissioner Walker commented:

- YVEDDI did a COLA this year, YVEDDI employees had not a COLA in five years

County Manager Morris commented:

- Recommended a COLA for the Libraries – have not had one in five years
- If all the counties in this region do not participate in providing a COLA for the libraries, employees will not get a COLA

Chairman Booth reminded members that tomorrow's budget work session included meeting with the Stokes County School Board at 10:00 am.

Adjournment

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

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

Darlene M. Bullins
Clerk to the Board

James D. Booth
Chairman