

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 17, 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 Tuesday, June 17, 2014, at 1:00 pm 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.

Commissioner Walker 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 Manager Rick Morris.

Manager Morris noted the following:

- In the first work session, information was provided to the Board regarding some financial changes that had occurred involving the new tax software purchase

- Keystone will no longer be performing the data migration to the new tax software system
 - Farragut will now do all data migration in lieu of Keystone and will also finance the cost of \$80,000 at no interest along with the software purchase over a ten (10) year period
 - Register of Deeds and Planning modules were eliminated resulting in a \$60,000 reduction over what was proposed in the recommended budget
 - This change has caused changes to the following pages of the manager's recommended budget:
 - Revenue Summary – pages 1-3
 - 2014-15 Budget Recommended change from \$43,860,097 to \$43,793,097
 - Expenditures Summary – page 4
 - 2014-15 Budget Recommended change from \$43,860,097 to \$43,793,097
 - Debt Service – pages 11-12
 - 2014-15 Budget Recommended change from \$5,170,133 to \$5,172,133
 - Tax Administration – pages 63-64
 - 2014-15 Budget Recommended change from \$1,232,292 to \$1,163,292
 - Capital Reserve Fund – page 79
 - 2014-15 Budget Recommended change from \$289,000 to \$221,000
- Funding has been transferred from Contingency to Home Health due to the proposed sale will not be completed until after July 1, 2014
 - Contingency – page 9
 - 2014-15 Budget Recommended change from \$482,000 to \$465,000
 - Home Health – pages 29-30
 - 2014-15 Budget Recommended change from \$00.00 to \$17,000
- Net impact to the recommended budget is a decrease of \$67,000 to the total budget with a \$16,000 decrease to Fund Balance appropriation
- Request the Board replace (by motion) these pages in the manager's recommended budget

Chairman Booth opened the floor for discussion.

The Board had no issues regarding the recommended changes provided by Manager Morris.

Chairman Booth entertained a motion.

Commissioner Inman moved to replace the following pages per Manager Morris'

recommendation:

- Revenue Summary – pages 1-3
- Expenditures Summary – page 4
- Debt Service – pages 11-12
- Tax Administration – pages 63-64
- Capital Reserve Fund – page 79
- Contingency – page 9
- Home Health – pages 29-30

Commissioner Lankford seconded and the motion carried unanimously.

Manager Morris presented the following estimated School Current Expense Fund Balance as requested: (estimated by Finance Director Julia Edwards)

As of 06-30-13

Appropriated	\$ 2,629,233.00	per audit
Appropriated unspent (estimate)	\$ (1,153,342.00)	Current Expense
Amendment	\$ 400,000.00	Current Expense
	<u>\$ (350,000.00)</u>	Capital Outlay - South Stokes Roof
Estimated Current Expense		
Fund Balance 06-30-14	\$ 1,525,891.00	

Manager Morris presented the following information (as requested) regarding the County's Financial Advisor's opinion regarding the borrow of funding for capital improvements such as school roofs:

- Spoke to County's Financial Advisor Doug Carter this morning
- Advisor Carter suggested that the County do like most larger counties do
- Have the Board of Education provide the Board of Commissioners with a five-year capital plan
- Have the County also compile a five-year capital plan
- A County five-year plan can be easily done
- Once that is done, he would be glad to meet with the Board of Commissioners to discuss and advise as to financing, pay as you go, or a combination of the two
- Any financing would involve the Local Government Commission
- Feel this is an excellent recommendation
- Feel the County and the Board of Education will need to have the five-year plans ready for the budget work sessions in November 2014 for the Fiscal Year 2015-16 Budget

Vice Chairman Jones commented:

- This is what I have been talking about all along, just called it a comprehensive plan
- Need to look at the “big picture”

Commissioner Inman commented:

- That was essentially what I was referring to at the June 12th joint meeting with the Board of Education
- There are a lot of major issues for both the schools and the county
- Need to sit down and develop a strategic plan
- Will be very much on board with that idea

Manager Morris confirmed with the Board of Commissioners that they would like to wait and start that process once this budget is adopted and after the new fiscal year – July 1, 2014.

Commissioner Walker commented:

- Think that is good information for the Board of Education and the School System to know
- The easiest assumption to make, in lack of information, is that nothing is happening
- Feel it will be good for the Board of Education and the School System to know that the Board of Commissioners is doing their job; we are looking at a plan and not just sitting around waiting for things to happen or see who will be complaining about roofs, telephones, old carpet, etc.
- The Board of Commissioners will be putting together a plan that will address the current needs and the next five (5) years

Commissioner Inman commented:

- To add to Commissioner Walker’s comments
- The Board of Commissioners would be doing a plan that would hopefully go into the next 10 to 15 years

Commissioner Walker commented:

- If (a big two letter word) there had been better maintenance to the schools, would the County have saved dollars on school construction – very possible
- For every dollar spent in maintenance, might have saved several dollars in school construction

Finance Director Edwards presented the following requested information regarding pass-thru funds in the recommended budget:

- There was an increase of \$345,593 in this recommended budget
- That is 40% of the approximately \$800,000 increase from Fiscal Year 2013-14

Commissioner Inman confirmed with Finance Director Edwards that if these increases were

not in the recommended budget, there would only be .94% increase.

Commissioner Walker questioned where are most of the pass-thru funds located in the recommended budget?

Finance Director Edwards responded:

- Health Department, DSS, Special Appropriations (transportation)

Commissioner Walker provided the following information:

- There was a budget request made to Manager Morris for the Sparrow House in Yadkin County
- Received word that Yadkin County has purchased a house
- Understand that one of the Yadkin County Commissioners suggested to those involved in the project that they seek funds from other than governmental units because of the tight budgets counties are facing

Manager Morris noted that he would inform those who requested the funding that the County would not be allocating any funding this year.

Chairman Booth requested each member to express any concerns they had with the recommended budget.

Commissioner Inman commented:

- Have made a number of comments about the budget
- Several different ways of looking at it
- First, would like to compliment the manager with his recommended budget
- The manager's budget is always a recommendation
- This Board gave him some fairly strict directives – no tax increase which took a lot of things off the table immediately
- We also requested no reduction in essential services to the citizens
- With those two things in mind, the recommended budget doesn't have a lot of "wiggle room"
- Could say you are borrowing from the Fund Balance
- Could say you are taking money from the Fund Balance to balance the budget
- Remind the Board that part of the Fund Balance money is money that has been pulled back from departments over the years that has actually saved tax dollars
- Have been very conservative to maintain that 20%+ Fund Balance to be able to go out for debt
- Very happy to see the final payment for the Walnut Cove Library Renovation Project in this year's budget
- Remember that in 2006, this County could not borrow \$600,000 for that Walnut Cove Library Project without committing to a tax increase as recommended by the Local Government Commission at time

- Very fortunate to have had a Fund Balance that could be called upon in very difficult times
- Worse recession in this county since the Great Depression
- Gradually coming out of the recession
- Feel there is a very realistic chance that the 5% loss in the last Revaluation back in 2013, which resulted in approximately ½ million dollars in revenue loss, may be regained in the 2016 Revaluation
- Can't forget Camp Sertoma and what significance that could mean for this county in additional tourism
- Not interested in "growing government"
- Will not be on line with adding two positions in Social Services
- Realize it is a savings, but there are concerns with adding positions and making cuts in other areas
- Strictly from the standpoint of dollars, adding the two positions was a good recommendation
- Once you add positions, it is hard to cut positions
- Will be on board with providing the employees with a COLA per the manager's recommendation

Vice Chairman Jones commented:

- Agree, this Board gave the manager some pretty strict directives such as no tax increase
- Agree, there is not a lot of "wiggle room" in this recommended budget
- Finding out about the pass-thru funds makes me feel much better about the recommended budget
- Was not too happy with the recommended budget being close to \$44 million as opposed to \$43 million, but the increase in pass-thru dollars does make it more palpable
- Very pleased with the information provided by the County's Financial Advisor regarding a five-year plan
- Know that next year, there could be a tax increase which will be looked at in the November 2014 Budget Work Sessions
- Hopefully will have more information regarding the new Walmart and possibly some new things on the horizon
- One thing that concerns me is the loss of WIC federal dollars this year
- Hope to see that turned around this fiscal year
- Need to utilize the new addition to the Health Department
- Feel a COLA is needed, need to get our salary gaps going in the right direction to be competitive with other counties
- Don't necessarily enjoy having to approve higher salaries, but when you need and want good employees to stay, you must be competitive
- On board with the recommended COLA from the manager
- Feel if we can all just hang on for five more years, everyone will see a different situation in Stokes County

- New cell towers, better schools, new community college and hopefully new industries
- Don't really have anything to argue about the manager's recommended budget

County Manager Morris reiterated:

- As stated in my budget message, there will not be a COLA or bonus recommended in the Fiscal Year 2015-16 budget

Commissioner Walker commented:

- Very little to say
- Even though, \$345,593 was pass-thru dollars, it doesn't change the fact that it takes approximately \$2.8 million from the Fund Balance to balance the budget
- \$2.8 million, in my calculation, is somewhere between a 8 and 9 cent tax increase
- Next year's budget, given this year's budget in its present configuration, could appear to be another 6 cent tax increase
- That will put Stokes County with the highest taxes in this area
- Already behind other counties in economic development, other counties are doing more than Stokes
- The gap will continue to widen and the question becomes, "how far do you want this County to go down the list before we start turning things around?"
- Not very comfortable with a recommended budget that takes somewhere between an amount equivalent to 8 to 9 cents on the tax rate from our Fund Balance to balance the budget
- To me, that is deceptive
- This budget has a tax increase embedded in it, we are just not doing it this year
- And there is another budget that appears, in similar mode, unless things change significantly between now and next year, that will add another several cents
- So proud of our County for getting our Fund Balance to where it was
- Know the dedication it took on the part of employees, the commissioners, and the citizens who gave up things
- We stripped away things that affected the citizens
- All of us worked together to get that Fund Balance up and now we are creating a budget that we don't know what it will take to fix it other than a huge tax increase
- No one has been able to tell me anything that will fix this budget other than a massive tax increase
- If it were up to me, would just keep working on it

Commissioner Lankford commented:

- A lot has already been said about the recommended budget
- Put a lot time into this budget, looked at it in many different ways
- Tried to analyze to see what would be the best thing to do
- First of all, would like to thank the county manager and his staff for doing an excellent job putting the recommended budget together, this is not an easy task
- The team took into consideration things that have been discussed in prior budget work sessions and feel they did a good job

- Some of my concerns while studying the recommended budget:
 - COLA versus a bonus
 - COLA would be recurring, bonus would not be
 - Understand the need for improving our position, especially with counties of similar size
 - Can't worry about Guilford and Forsyth Counties, can't compete with those larger counties
 - Feel like the COLA is justified and have no issues with the manager's recommendation for our employees who do a good job
 - Agree with Commissioner Inman, don't want to "grow government" as far as more employees
 - Feel that those employees who have stayed with the County and continue to do a good job need an incentive (COLA)
 - Part time increase for emergency services employees
 - Had major problems with the recommendation at first
 - When you actually analyze the issue, you must have part time staff to keep the 24/7 operations going
 - Did receive information regarding part time help, it appears part time hours will be less in 2013-14 than 2012-13
 - Feel Department Heads are trying to keep the part time hours down which could decrease part time dollars
 - Confirmed with Manager Morris that this increase will most likely decrease the overtime being paid to part time employees and some full time employees to keep the 24/7 department operating such as EMS, E911
 - Employee reclassification in Sheriff's Department
 - Recurring cost
 - Sheriff has agreed to take \$3,000 from his crime stoppers contracted services (part time wages) to offset the cost of the reclassification
 - Can justify the reclassification as the job duties have changed
- Have to look at the "big picture"
- Was disturbed with the first look at the recommended budget being almost a \$900,000 increase, but after you analyze each department, factor in the increases that you have no control of, can better understand the recommended budget
- Have to take into consideration that computers are being financed over the next several years to cut expenditures; manager cut almost \$5 million before submitting his recommended budget to the Board which had to be a challenge
- School Capital Outlay
 - After the joint meeting with the Board of Education, Commissioner Inman requested their top three (3) capital needs in priority order
 - The Board of Education approved the following top three capital needs in priority order with an estimated cost of each item:
 - North Stokes "A" Building/Gym Roof = \$460,000
 - Safety/Mandated Requests = \$232,000
 - Replace Carpeting/Floor Tile Requests = \$130,000

- Their top priority is the North Stokes "A" Building/Gym Roof which was the number one priority last year
- This was postponed due the emergency at South Stokes High School
- The manager's recommendation of \$600,000 will enable the roof at North Stokes to be replaced
- Being a former Board of Education member, can understand the many safety and mandated requests for schools as they listed in their response
- Feel it could be a reflection on the County if things continue to not be fixed
- Would like to increase the \$600,000 by \$198,000 which will take care of everything in their top three projects except Meadowbrook Academy – replace floor tile in POD with carpet:
 - North Stokes "A" Building/Gym Roof - \$460,000
 - Safety/Mandated Requests - \$232,000
 - Replace Carpeting/Floor Tile Requests - \$130,000 - \$24,000 = \$106,000
- All other requests pertaining to floors are replacing carpet with tiles
- This will resolve some of the safety issues that will remain on the list until completed and also help when renovations are started at the elementary schools
- Believe carpet should be replaced in all the schools

The Board discussed the following list that was approved by the Board of Education as the 2014-15 Capital Outlay top three projects totaling \$822,000 (letter dated June 16, 2014):

#1	North Stokes "A" Building/Gym Roof	\$460,000.00
#2	Safety /Mandated Requests	\$232,000.00
	<u>Pinnacle Elementary School</u>	\$ 40,000.00
	New telephone system with intercom capability	
	<u>Sandy Ridge Elementary School</u>	\$ 5,000.00
	A-Phone entrance security system	
	<u>Pine Hall Elementary School</u>	\$ 5,000.00
	A-Phone entrance security system	
	<u>King Elementary School</u>	\$ 60,000.00
	Install 20 doors/rework walls in "A" Bldg. classrooms	
	<u>Pine Hall Elementary School</u>	\$ 15,000.00
	Repair sink holes on playing field	
	<u>Germanton Elementary School</u>	\$ 9,500.00
	Correct drainage issue on playground	
	<u>Chestnut Grove Middle School</u>	\$ 25,000.00
	Drainage issues/unleveled playing field-girls' softball field	
	<u>South Stokes High School</u>	\$ 13,000.00
	Install fence on practice field near South Stokes School Road	

	<u>Pine Hall Elementary School</u>	\$ 2,500.00
	Replace front double doors	
	<u>System Wide</u>	\$ 50,000.00
	Upgrade of playground fall protection	
	<u>London Elementary School</u>	\$ 7,000.00
	Exterior storage building for mower/gas to meet fire code	
#3	Replace Carpeting/Floor Tile Requests	\$130,000.00
	<u>Sandy Ridge Elementary School</u>	\$ 18,000.00
	Replace gym floor VCT tile	
	<u>Mt. Olive Elementary School</u>	\$ 25,000.00
	Replace carpet with VCT tile in 16 classrooms	
	<u>Pinnacle Elementary School</u>	\$ 25,000.00
	Replace carpet in classrooms with VCT tile 7 classrooms	
	<u>Walnut Cove Elementary School</u>	\$ 20,000.00
	Replace carpet in classrooms with VCT tile 13 classrooms	
	<u>Pine Hall Elementary School</u>	\$ 18,000.00
	Replace carpet in primary building with VCT tile	
	<u>Meadowbrook Academy</u>	\$ 24,000.00
	Replace floor tile in POD with carpet	
	Grand Total of Top Three Priority Projects	\$822,000.00

Manager Morris noted, if approved, the recommendation made by Commissioner Lankford, can be detailed on the school's capital outlay page in the budget.

Commissioner Lankford commented:

- Suggested increasing the collection rate to 96.19%

County Manager offered the following suggestion:

- Finance Director Edwards just did a recent estimate for sales tax and it appears the schools will have approximately \$100,000 overage at June 30, 2014
- That revenue along with increasing the collection rate to 96.19% can help offset the additional allocation

Commissioner Inman commented:

- Possibly use any remaining contingency funds from the Lawsonville Renovations Project as already suggested by this Board

Commissioner Lankford commented:

- Contingency for the Lawsonville project is approximately \$63,000
- Should know in about six weeks if there is any contingency left from the project
- Would be willing to allocate the additional \$198,000 to get these top three projects completed

School Capital Funding

Commissioner Lankford moved to approve the following motion:

- To increase the recommended \$600,000 Schools Capital Outlay funding by \$198,000 (total to be \$798,000) to fund the Board of Education's 2014-2015 top three priority projects submitted to the Board of Commissioners from Superintendent Ronnie Mendenhall dated June 16, 2014 (with elimination of flooring for Meadowbrook Academy) as listed:

#1	North Stokes "A" Building/Gym Roof	\$460,000.00
#2	Safety /Mandated Requests	\$232,000.00
	<u>Pinnacle Elementary School</u>	\$ 40,000.00
	New telephone system with intercom capability	
	<u>Sandy Ridge Elementary School</u>	\$ 5,000.00
	A-Phone entrance security system	
	<u>Pine Hall Elementary School</u>	\$ 5,000.00
	A-Phone entrance security system	
	<u>King Elementary School</u>	\$ 60,000.00
	Install 20 doors/rework walls in "A" Bldg. classrooms	
	<u>Pine Hall Elementary School</u>	\$ 15,000.00
	Repair sink holes on playing field	
	<u>Germanton Elementary School</u>	\$ 9,500.00
	Correct drainage issue on playground	
	<u>Chestnut Grove Middle School</u>	\$ 25,000.00
	Drainage issues/unleveled playing field-girls' softball field	
	<u>South Stokes High School</u>	\$ 13,000.00
	Install fence on practice field near South Stokes School Road	
	<u>Pine Hall Elementary School</u>	\$ 2,500.00
	Replace front double doors	
	<u>System Wide</u>	\$ 50,000.00
	Upgrade of playground fall protection	
	<u>London Elementary School</u>	\$ 7,000.00
	Exterior storage building for mower/gas to meet fire code	
#3	Replace Carpeting/Floor Tile Requests	\$106,000.00
	<u>Sandy Ridge Elementary School</u>	\$ 18,000.00
	Replace gym floor VCT tile	
	<u>Mt. Olive Elementary School</u>	\$ 25,000.00
	Replace carpet with VCT tile in 16 classrooms	
	<u>Pinnacle Elementary School</u>	\$ 25,000.00
	Replace carpet in classrooms with VCT tile 7 classrooms	

Walnut Cove Elementary School \$ 20,000.00

Replace carpet in classrooms with VCT tile 13 classrooms

Pine Hall Elementary School \$ 18,000.00

Replace carpet in primary building with VCT tile

Grand Total of Top Three Priority Projects \$798,000.00

- To increase the tax collection rate to 96.19% to help fund the \$198,000 increase to Schools Capital Outlay
- To increase sales tax revenue by \$100,000 to help fund the \$198,000 increase to Schools Capital Outlay
- To allocate any unused contingency from the Lawsonville Renovation Project to help fund the \$198,000 increase to Schools Capital Outlay

Commissioner Inman seconded the motion.

Chairman Booth opened the floor for discussion.

County Manager Morris noted:

- There is a possibility that increasing the collection rate to 96.19%, increasing the sales tax revenue by \$100,000 and using any remaining contingency from the Lawsonville Project may not be enough for the \$198,000 increase
- Suggested that if the increases in Commissioner Lankford's motion do not yield enough to cover the \$198,000, a budget amendment will be done to find the needed funding for the Board's approval at a future meeting

Vice Chairman Jones commented:

- Could there be another alternative cheaper than tile?
- Don't think it would be a bad idea to send a message – no carpet

Commissioner Inman and Commissioner Lankford both agree tile will be the best for the schools.

Commissioner Lankford commented:

- Relooked at the budget after several citizens spoke about safety issues at the Public Hearing
- If you compare the comments from the Public Hearing with the top three priority items submitted by the Board of Education, almost every project was mentioned at the Public Hearing

Vice Chairman Jones commented:

- Expressed concerns about the comments made during the Public Hearing about playground equipment, especially after Chairman Cox, BOE, stated that funding is not allocated for playground equipment

- Concerned there may be some safety issues on the playgrounds that the County could be liable for

Commissioner Lankford commented:

- School System would be liable for any safety issues involving the school property

Commissioner Walker commented:

- At the beginning of the meeting, there was an amount mentioned of \$1.5 million of School Current Expense Fund Balance
- Confirmed with Manager Morris that his recommended budget this year included the transfer of up to \$1 million from the Schools' Fund Balance for capital needs being the same as last year's budget
- Confirmed with Manager Morris that with the \$600,000 recommended allocation, it lacks only \$222,000 to complete all the top three priority projects submitted by the Board of Education
- Questioned if the Board of Education was in a better position to take from their Fund Balance instead of the County having to take from their Fund Balance
- The County is already taking \$2.8 million from its Fund Balance to balance this recommended budget

County Manager Morris responded:

- That is a valid question
- In my opinion, I think either way is okay, because whenever this meshes together in the F/Y 2015-16 budget, it is going to be a "wash"
- The Schools' Fund Balance will definitely come into the picture with the F/Y 2015-16 budget
- So the question would be, do they take it from their Fund Balance this year or have it there to use next fiscal year
- The F/Y 2015-16 budget will definitely have discussion regarding the amount of Fund Balance the school system has
- One question to consider is how much do you think the School System's Fund Balance should be?
- There is no statutory requirement for the School System to have any Fund Balance

Commissioner Walker commented:

- Correct, the School System does not have to have a certain percentage in a Fund Balance, they do not have to borrow funding
- The County's Fund Balance is critical, we do have to borrow funding to do projects
- We don't want to mess up the chance to do a community college, it could happen very easy – just dip too far into our Fund Balance
- Have a lot in play here
- Do I want to help the schools, absolutely
- Have always supported the schools since becoming a commissioner
- Supported the schools before becoming a commissioner
- Trying to be realistic, to see who is in a better position to shift money around at this point

- I am sitting here looking at a list of six things that have our backs up against the wall
- Still would prefer, if possible, do this with borrowed money
- Understand we can't do it in this budget, but wish we had taken more of a look at that approach
- Questioned Finance Director Edwards, "If a project was financed and revenues increased (financial picture improved), is there any penalty for paying off debt early?"
- I am not aware of any

Finance Director Edwards responded:

- No, if you have a callable date

Commissioner Walker requested the definition of a callable date.

Finance Director Edwards responded:

- When you go out for debt, you put a date when you can refinance the debt
- If you call it earlier than the callable date, you will have to pay a penalty
- That is how we just refinanced the General Obligation Bonds
- You have to go thru Local Government Commission to refinance the bonds who likes to see at least a 3% savings

Commissioner Walker confirmed with Director Edwards that if the County financed the school needs, you could put a callable date for 2- 3 years out to revisit the situation.

County Manager Morris commented:

- As pertaining to the motion on the table, the sales tax dollars is already the schools' funding, if it did not go to them now, it will go to them next year
- Lawsonville Project is already capital money being spent on schools with the only issue being what amount is left over
- Difference in the collection rate is .19%

Commissioner Walker responded:

- Don't have a problem with these projects being done, only question would be pertaining to the Meadowbrook Academy – replacement of floor tile with carpet
- Don't know the current shape of their floor tile
- Whether it needs to be replaced and why carpet

Commissioner Inman commented:

- Understand the estimate for 06-30-2014 is approximately \$1.5 million
- But need to note that the Board of Education did appropriate \$1,153,342 out of it
- Must remember that if the Board of Education did not have a Fund Balance, we would have to meet for every emergency to fill the need
- I would anticipate the Board of Education having to allocate at least \$1 million or more this year because the State Budget is far from being passed and is not extremely friendly to counties

Vice Chairman Jones commented:

- One problem with the Board of Education having a Fund Balance is that they don't have to come to us to spend it, there is no oversight
- Would like to see that this money is spent for the projects listed as their top three priority needs

Finance Director Edwards questioned if the County would want to make the School System send a copy of the invoices to the county as required for financed capital projects?

The Board discussed the requirement suggested by Finance Director Edwards.

Commissioner Lankford commented:

- Being on the Board of Education for several years, can attest that Director of Finance Moore does not let anything get past her
- Don't feel that is necessary

Commissioner Inman commented:

- With it being in the minutes, also do not think it is necessary

Vice Chairman Jones commented:

- Would like to make sure the projects are done

The Board unanimously agreed to not require the School System to send invoice information on the projects listed in the motion.

Commissioner Walker commented:

- Had earlier discussion regarding a five-year capital plan as suggested by the County's Financial Advisor
- Is there any possibility to include in this motion that the County is going to catch up on the urgent needs and as far as the future needs, the County would like to meet with the Board of Education to plan for capital needs for the next five years?

Commissioner Inman and Commissioner Lankford noted that a joint meeting to discuss capital needs was discussed in the Joint Meeting with the Board of Education.

Commissioner Walker continued:

- The reason I mentioned that is that this never ends
- Has been mentioned by Vice Chairman Jones that the requests just keep coming
- To address the fact that we go through this as often as we do, think the five-year plan is very good information; it is just a matter of how we use it

Chairman Booth commented:

- Agree with Commissioner Walker regarding the need for a five-year plan
- Five-year plan will let everyone know exactly what has been done and what needs to be done

The Board discussed when to start the meetings with the Board of Education.

Manager Morris commented:

- Definitely need to have the five-year plan for both the Board of Education and the County completed before the budget work sessions start in November 2014
- Will need to address the five-year needs during those budget work sessions

The Board agreed to start the communication with the Board of Education regarding the five-year plan after July 1, 2014.

Commissioner Walker commented:

- The tone of our last joint meeting with the Board of Education was pretty harsh
- This is pertaining to the motion on the floor – additional funding
 - Don't want to be looked at as being "tight fisted" with the Board of Education
 - A vision is always good
 - Looking five years down road indicates that we are not ignoring the needs, it says that we will work with you to meet every realistic need and the county's needs
- The way we are going to do it is by starting today and putting together a plan to address these needs

Commissioner Inman commented:

- Concurs wholeheartedly with Commissioner Walker that this is the beginning of a plan and should communicate to the Board of Education
- Everyone remembers the first phase from the Board of Education has been completed – Nancy Reynolds, Popular Springs, Southeastern, with Lawsonville soon to be completed
- This gets the County to Phase II
- You are talking about 20 schools, there will be a lot of needs

Commissioner Lankford commented:

- If you really want to go back, this five-year plan will be Phase III
- Phase I was 1997, 1998 and 1999

Commissioner Inman responded:

- Just talking about with the previous superintendent, when the study was done
- But you are right, this is would be Phase III

Commissioner Inman called the question.

The motion carried unanimously.

Chairman Booth questioned if there were any further amendments regarding the recommended budget?

Social Services – Social Worker Positions

Commissioner Inman moved to eliminate the two recommended additional positions (SWII) for Social Services and reinstate the funding for the contract positions. Vice Chairman Jones seconded the motion.

Commissioner Inman commented:

- Understand there is a small savings and the manager did what the Board requested him to do, but have a concern that once you add positions, it is extremely difficult to cut them
- During my tenure, we have added employees, not interested in “growing government”

Commissioner Walker commented:

- Think the sign of a true conservative is the willingness to spend money to save money
- When I look at the recommended budget and look at the expenditures, some of the ones that catch my eye the quickest is where we can save money like DSS cars for example
- Spend money to save money
- Have confidence in our manager, our directors and others; have had this philosophy continuously since I have been involved, that if the need is there, we have to deal with it
- Lose employees all time in DSS, but fortunately, can move someone around to fill the positions
- I am not for eliminating these positions
- Will gladly defend them to anyone who asks
- Do not consider it “growing government”
- I look at that recommendation positive, as it has a \$17,000 savings
- Certainly would hope whoever is in a managerial or supervisory position will deal with any excess staff at any time, resigned in some manner
- Do not support eliminating these positions

The motion carried (4-1) with Commissioner Walker voting against the motion.

Sheriff's Department – Reclassification

Commissioner Lankford moved to go with the manager's recommendation for the reclassification in the Sheriff's Department with \$3,000 being deducted from the part time salary line item in Sheriff's budget. Vice Chairman Jones seconded the motion.

Commissioner Inman confirmed with Commissioner Lankford that he had spoken with the Sheriff and the Sheriff has agreed to the transfer of funds.

Commissioner Lankford commented:

- Reiterated that Sheriff Marshall agrees with the transfer of \$3,000 from part time wages
- The Sheriff feels very passionate about this position being reclassified due to the duties have change with supervisory and budgetary responsibilities
- Would not have done it without the Sheriff's approval

Commissioner Walker questioned how this motion is different from what is currently proposed in the manager's budget?

Commissioner Lankford responded:

- Agreeing with the reclassification
- Decreasing the part time salaries line item by \$3,000 which in essence pays for the reclassification without an increase to the budget and reduces the Sheriff's budget

The motion carried unanimously.

Rural Hall Fire District

Commissioner Inman commented:

- Know our good friends from Rural Hall have been with us during our budget process this year
- Certainly don't want them to think that we have not been listening to their issue
- Think the manager has already said there was no recommendation for a fire tax increase this year, but next year, the County will have to consider an increase in the fire tax

County Manager Morris commented:

- High probability that a recommendation for an increase in the fire tax will be included in the F/Y 2015-16 budget

Commissioner Inman continued:

- Realize that doesn't do anything for this year

- Wish we could have made that happened, hopefully, next year will be different

Fiscal Year 2014-15 County Budget

Chairman Booth entertained a motion.

Commissioner Lankford moved to adopt the manager's recommended 2014-15 budget with amendments approved at today's meeting with the current County Tax Rate of \$.60 and \$.04 New Schools/F. Tech Fund Tax Rate with a collection rate of 96.19%. Vice Chairman Jones seconded the motion.

Commissioner Inman commented:

- There is no such thing as a perfect budget
- If we were allowed to vote individually on all the individual moving parts, there would be a number that I would probably vote against
- Must pass a budget
- Again, it is certainly not perfect
- Have stated the position that the county is in and feel blessed we are in the position we are in
- Have talked to commissioners all across the State of North Carolina whose Fund Balances have forced them to approve huge tax increases
- We need to maintain our Fund Balance in order to maintain our excellent credit ratings
- Something to be proud of
- Have gone out for significant debt for schools, but overall, our debt ratio compared to assessed valuation is extremely low
- With the additional capital funding given to the schools in this budget, we can get to a five-year plan
- Feel that things are moving in the right direction in terms of additional revenue to take the burden off the ad valorem taxpayer
- I will look very closely at a sales tax as a more fair distribution to citizens in the county, a more user tax
- Again, not perfect by any means
- Number 12 for me and none have ever been easy, but have always gotten through it

Commissioner Walker commented:

- Feel with this budget, we are headed toward where the commissioners are at that Commissioner Inman has been talking to
- Not as far along that path as they are, but think this budget certainly points us in that direction
- Lot of things that I agree with in this budget
- Need to be responsible to our employees, do the most and best we can for them
- Must be realistic in all aspects at the same time

- Commend the manager for trying to look for ways to save money
- Commend the manager for making some of the cuts he has made
- Would I have prepared, with my weak budgeting ability, the same budget he did, probably not, but neither would probably any of the other several people at this table
- Far as the sales tax mentioned by Commissioner Inman, that has to be voted in by the people, I believe
- I am not so sure that they are in the mood to vote in any new tax, so I am not sure we can count on that for a new revenue source
- Think the changes in this budget are more band aid type changes, a little scratch and nick here and there
- I am scared of the structure of this budget in general
- I could not call myself a conservative, I don't think at this particular time if I supported this budget in its present configuration
- Revenues are down
- Have lost approximately \$2.5 million in revenues, minimum, more possibly to come
- The other shoe hasn't even dropped yet as far as for Affordable Care (part time employees)
- Fund Balance is going down; 25% hit this year
- Taxes are definitely going up, that is embedded in this budget
- Every penny added to this budget, just adds to the tax increase
- Debt is going up
- Costs are going up
- Insurance, part time help, you named it
- Lottery funds are down
- Future revenues are unknown
- Future costs are unknown
- The trend is that we are getting hit more by the higher level of government regularly with things that we have to dig into the county coffers to come up with
- On top of it all, as far as the citizens go, fire tax is possibly increasing next year that will add to the overall tax rate
- Wish I could support the budget
- Think there is some good things in the budget, but overall, to me does not fit where the county is financially at this time

Vice Chairman Jones commented:

- Most of what I wanted to say, Commissioner Inman already said
- Believe in miracles
- Confirmed some time ago with Tax Administrator Oakley that approximately 20,000 (plus or minus) pay property taxes in Stokes County which is a little less than 50% of our revenue
- Feel like we have done really well considering
- Tax increase now or later
- The fact is that the money in the Fund Balance is the taxpayers anyway
- I think, given their personal situations, another year to postpone a tax increase by using the Fund Balance is good

- Our Fund Balance is still going to be around 20%
- Everyone is winning
- Citizens are not having to worry about a tax increase this year and the County still maintains a good credit rating by maintaining a 20% Fund Balance
- Need to go ahead and start bracing ourselves and everyone and hope for the best
- Agree this budget has no wiggle room
- Don't have any complaints with this budget
- Have achieved a lot
- Feel good about the additional funding for the schools
- When I compare Stokes with counties of like sizes, feel good about our situation
- It is not perfect and it is tough at times
- Feel good about this budget
- Ready to vote

Commissioner Lankford commented:

- Think I have said all I need to say

Chairman Booth commented:

- Agree with Commissioner Inman that this County is blessed the Fund Balance that the County currently has
- Thank the manager, fellow commissioners, and employees who have helped to get the Fund Balance to where it is at, enabling the Board to approve a budget without a tax increase
- Looks like there may be a couple of million dollars there next year to help balance the budget and still retain a 20% Fund Balance
- Hoping new revenues will be coming in this next year that can add to the Fund Balance
- Hope there are no more unfunded mandates from the State and Federal Governments
- Very pleased with the additional funding provided for additional schools projects that are needed (roofs and safety items)
- Five-year plan will be a good path for the County to be able to follow with considerable debt coming off in three years from this budget
- Feel the employees deserve this COLA, as stated by the county manager, it may be a little while before they get another one
- Our employees are dedicated and have worked hard to help save funding to increase the County's Fund Balance
- Appreciate the time and effort from everyone during this budget process

Chairman Booth called the question.

The motion carried (4-1) with Commissioner Walker voting against the motion.

King Fire District Fund

Chairman Booth entertained a motion.

Commissioner Lankford moved to approve the recommended budget for the King Fire District with a fire tax of 6.5% and a collection rate of 96.19%. Vice Chairman Jones seconded and the motion carried unanimously.

Rural Hall Fire District Fund

Chairman Booth entertained a motion.

Vice Chairman Jones moved to approve the recommended budget for the Rural Hall Fire District with a fire tax of 6.5% and a collection rate of 96.19%. Commissioner Walker seconded the motion.

Commissioner Walker confirmed with Finance Director Edwards that the projected revenue would be slightly increased (not very much) with the increase to a 96.19% collection rate.

The motion carried unanimously.

Walnut Cove Fire District Fund

Chairman Booth entertained a motion.

Commissioner Lankford moved to approve the recommended budget for the Walnut Cove Fire District with a fire tax of 6.5% and a collection rate of 96.19%. Commissioner Inman seconded and the motion carried unanimously.

Fire Service District

Chairman Booth entertained a motion.

Commissioner Lankford moved to approve the recommended budget for the Fire Service District with a fire tax of 6.5% and a collection rate of 96.19%. Vice Chairman Jones seconded and the motion carried unanimously.

Budget Ordinance

The Board discussed a possible date to return to approve the Budget Ordinance.

The Board agreed to recess until Monday, June 23rd at 5:30 pm.

Adjournment

There being no further business to come before the Board, Chairman Booth recessed the Budget Work Session to Monday, June 23, 2014 at 5:30 pm in the Commissioners' Chambers.

Darlene M. Bullins
Clerk to the Board

James D. Booth
Chairman