

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  
NOVEMBER 17, 2014

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a 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 17, 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 meeting 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.

**GENERAL GOVERNMENT -- GOVERNING BODY -- APPROVAL OF AGENDA**

Chairman Booth entertained a motion to approve or amend the November 17, 2014 Agenda.

Commissioner Walker moved to approve the November 17<sup>th</sup> Agenda as presented.

Vice Chairman Jones seconded and the motion carried unanimously.

Chairman Booth turned the meeting over to County Manager Rick Morris for the presentation of the budget status of the county.

County Manager Rick Morris noted the following would be covered during today's work session:

**Briefing Overview**

- Purpose
- Background
- Budget Assessment
  - Major Facts Bearing on the FY 2015/16 Budget
  - Budget Realities
- Allocation of County Revenues
- Projected Budget Levels
- Snapshot of Budget Situation
- Overview of County Debt Commitment
- School System Funding
  - Current Expense
  - Capital Funding
- County Departmental Budget Analysis
- Graphic View of Where We Stand
- County Tax Rate History
- Budget Guidance Questions for BOCC
- Distribution of Capital Plan for Discussion at Next Work Session
- Summary

County Manager Morris noted the following:

- Don't need any decisions from the commissioners today regarding any issues
- Will be providing the Board with lots of budget information
- Will need guidance from the commissioners in later work sessions in order to prepare the upcoming Fiscal Year 2015-16 Budget
- Will be glad to answer any questions between today's work session and the next work session scheduled for December 9<sup>th</sup>
- Will have some additional information at the next work session, but not a lot
- Hope the Board will be able to provide guidance at the January work session
- Have some real budget challenges facing the County
- Will be providing the Board with a Five-Year Capital Plan for the County and the School System at the end of the presentation

County Manager Morris presented the following information:

**Purpose**

- The purpose of the budget guidance work sessions is to address major budget issues early in the budget process so the county manager can provide the department heads and other

stakeholders budget guidance to be used in the preparation of their FY 2015/16 budget submission to the county manager

- The sessions should also provide guidance to the county manager on overarching budget issues not directly related to individual county departments

### **FY2014/15 Background**

- The adopted budget for FY 2014/15 was 43,832,644
  - Increase of 1.79% over the FY 2013/14 approved budget
  - Increase was driven by the cost of a new tax software package, increase in part-time rates for Public Safety personnel, increased General Fund appropriation to Title XIX Fund, a 2% COLA, capital purchases and structural increases in personnel costs (longevity, etc.)
- No tax increase was recommended though some fines were increased
- Collection rate was increased to 96.19%
- This budget continued to adjust to the loss of \$2+ Million of annual hold harmless revenue that completely ended in FY 2014/15
- Recommended budget was developed using a two-to-four year thought process to plan for FY 15/16 and beyond
  - FY 15/16 Budget will reflect new budget baseline without Hold Harmless and a reduced amount of General Fund balance to use in balancing the budget
  - Revenue sources, to offset these reductions until future Revaluation and sales tax revenues come back, will have to be identified in FY 15/16 Budget
  - The budget picture gets worse in FY 2016/17 because no General Fund balance will remain to balance the budget if the General Fund balance remains at approximately 20%

### **Budget Assessment**

- **Major Facts bearing on the FY 2015/16 Budget**
  - Workload of many county departments increasing
  - Loan process should begin soon for construction of community college, which is the last approved project for new debt; however, a potential jail expansion would require additional debt
  - County budget has built-in structural increases between 1 and 2 percent
    - Longevity, medical/dental/vision insurance
    - Recurring cost increases such as energy costs and operating supplies
    - Minimum level of equipment and software must be funded each year to operate
  - School System Fund Balance is now depleted; \$482,709 as of 30 June 2014
- **Budget Realities**
  - Recovery of the U.S. economy remains weak and stresses county budgets
  - During Fiscal Years 2015/16 and FY 2016/17, the approved county budget must arrive at a “steady state” budget baseline that addresses annual growth with adequate revenue
  - Tax rate increases for Fire Tax and Property Tax will have to be seriously considered in the FY 2015/16 Budget as part of the effort to arrive at an acceptable budget trajectory for FY 2016/17 and beyond

- Potential tax increases will be influenced by the desired level of Fund Balance to address emergencies and finance future projects
- Service levels to citizens should be reviewed over the next two years to address growth in some areas driven by increased demand

**Allocation of Property Tax Revenue**

- Fire Tax - 6.5 cents
- School Debt – (4 cent Fund) – 4 cents
- Education – 31 cents
- County – 29 cents

**Allocation of Sales Tax Revenue (as of 09-30-14)**

- Fire Funds – 6.03%
- School – 26.99% (by statute)
- County – 66.98%

**Projected Budget Levels Looking Forward**

- **Fiscal Year 2013-14**
  - Approved Budget  
\$42,990,615
  - Appropriated Fund Balance  
\$2,841,946
- **Fiscal Year 2014-15**
  - Proposed Budget  
\$43,860,097
  - Appropriated Fund Balance (proposed)  
\$2,841,932
- **Fiscal Year 2015-16**
  - Projected Budget  
\$44,737,298
  - Appropriated Fund Balance (Estimate)  
\$2,000,000
- **Fiscal Year 2016-17**
  - Projected Budget  
\$45,632,043
  - Appropriated Fund Balance  
None available

**Snapshot of the Budget Situation**

**FY 2014/15 Balanced Budget - \$43,860,09**

**Summary**

- Appropriated \$2,841,932 from General Fund Balance
- 16 positions from FY 2011/12 remained unfunded

- Capital Outlay was limited to essential requirements
- Personnel reclassification was limited to actual changes in duties
- 2% COLA included – started 10/11/2014

### **FY2015/16 Projected Shortfall - \$3,719,135**

#### **Summary**

- Estimated \$2 Million of excess General Fund will be available
- \$487,255 Revaluation revenue reduction continues
- Tax rate increase of 6 cents (strictly ad valorem tax) required to make up lost Hold Harmless / General Fund Shortages
- 1.5 cent fire tax increase may be proposed by Fire Commission
- Only other alternative is substantial service cuts

Commissioner Walker confirmed with Manager Morris that it would take approximately 12 cent ad valorem tax increase if the \$2 million was not available from the General Fund for FY 2015-16

### **FY2016/17 Projected Shortfall - \$2,894,746 with 6 cent increase FY 2015/16**

#### **Summary**

- Estimated zero dollars available from General Fund Balance to balance this budget
- \$487,255 Revaluation revenue reduction continues
- Tax rate increase of 9 cents required to make up lost Hold Harmless / General Fund Shortages
- Only other alternative is draconian service cuts (mostly likely what is statutorily mandated)

Commissioner Walker commented:

- My estimate from last year's budget was a 14 cent tax increase over the next two budgets – very close to the manager's projection
- Looking at a 15 cents tax increase
- Have seen these numbers coming

County Manager Morris noted:

- Have definitely seen it coming
- It is a reality check

Commissioner Walker commented:

- It is scary, looking at a 85.5 tax rate for Stokes County

### **Overview of FY2015/16 County Debt Commitment**

County Manager Morris provide detailed information regarding the County's debt commitment for Fiscal Year 2015-16:

- Total school debt = \$4,407,758
- Total capital lease debt = \$764,375
- Community College will soon be added to the Debt Commitment, but is covered by the 4 cent school tax

## School System Funding

- Current Expense
  - Budget recommendation has remained stable during past few years (\$10,211,763 FY 2014/15) while student population has declined
  - School System has now depleted its fund balance, which was previously supplemented by federal stimulus dollars
- Capital Funding
  - Board of Education has approved a five-year capital funding plan as requested which is pretty straight forward
    - With both county and school five-year capital plan, there is no way that all of it could get funded
    - Provides a document that can track capital projects
    - Pretty pleased with the items listed
    - One thing the school's capital plan lacked was justification which can be addressed later
- Funding levels for current expense and capital will be key discussion topics as next two county budgets are developed

Commissioner Walker commented:

- Will be looking, due to the extremity, monies that we can spend to save money
- Will be looking to see if it is going to cost the county if money is not spent
- Picnic shelters, walkways, are nice, but these are not normal conditions and don't think we can continue to operate as normal; will have to stretch dollars as far as we can stretch them
- County is looking at a possible 15 cent tax increase per the manager's estimates
- People will be moving out of Stokes County
- Would like see information brought to the Board to justify by spending this money now, we are getting the best and highest use of this money and is this money we are spending going to save us money

Commissioner Lankford commented:

- Don't think we should start throwing information like a 15 cent tax increase in two years out there
- As far as I am concerned, that doesn't get it done

Commissioner Walker responded:

- It is public record at this point

Commissioner Lankford responded:

- These numbers are projections, not reality
- Throwing out these kinds of increases gets people upset
- You will have to wait until the budget is finalized to get factual information

County Manager Morris responded:

- The 6 and 9 cents increase is using ad valorem taxes to try to fix the problem only
- Hope the Board has some other ideas
- It will be a matter of what you want to fund

Commissioner Walker commented:

- Agree with Commissioner Lankford that we don't need to unnecessarily alarm people, but these numbers are not being pulled out of the air
- These are the manager's best estimates given the current information at this point in time
- Have to increase revenues to increase expenditures
- Where can we cut? What services have to go? These are tough questions
- Concerns me – very tough decisions are going to have to be made

Commissioner Inman commented:

- Without a doubt, there are always tough decisions when you look at budgeting
- Remember 12 years ago when the County had a 3.5% Fund Balance and drastic cuts had to be made
- Will have some difficult decisions to make
- Would disagree with one of the manager's comments – it would not be a matter of what we want to fund or don't want to fund, it will be what we can fund and what we can't fund
- Looking at strictly one side of the equation – expenditures
- We haven't looked at any revenues projections
- There are some good things in play
- I am not saying that the total of the assessed revaluation will be replenished with the next revaluation, but I can tell you that it will be much, much closer to what it was
- Don't need to hit the panic button that the commissioners are getting ready to raise taxes 16 cents in the next two years
- If we regain the \$500,000 and there are some sales tax that are going to change
- Walmart will easily bring a \$1 million – a new revenue source
- Very challenging situation, but you don't want to create a state of panic in the county
- Raising taxes by 16 cents in the next two years is not even feasible
- Have served on boards that created a false sense of security by falsely projecting revenues
- We have done a lot of things to get to where we are today
- The school system funding is definitely being impacted by what is happening in the state legislature
- We are kind of being asked to make up what the school system has lost from the state
- We absolutely can't do it
- All about a plan that will take us forward
- Need to get the full picture

### **Stokes County Tax Rate History**

County Manager Morris commented:

- It can get to a blame game, but that is not productive
- Could make the argument that the citizens have had a pretty good run with the 60 cent tax rate since 2005
- Have had a 62 cent tax rate from 1999 to 2004
- When I was here the first time, I stated, after doing one budget, that the tax rate should be 65 cents

Commissioner Walker commented:

- One of the biggest mistake that I made as a commissioner was decreasing the 62 cent tax rate in 2005 to a 60 cent tax rate
- I would not do it that way again

Commissioner Inman commented:

- Echo Commissioner Walker's comments, was on that Board that lowered the taxes by 2 cents

County Manager Morris noted that could have been okay if the economy had not fallen off in 2008.

Commissioner Walker continued:

- Did my research, the average tax rate from 1972 to 2004 was about 60 cents, looking year to year

Vice Chairman Jones commented:

- Looked at the Tax Rate History long before we did the last increase for the schools
- We have to look at educating and changing the mind set of our citizens
- No one wants a tax increase
- Sometimes, a tax increase is necessary
- Have been kicking the can down the alley for a while now; former County Manager Steen had said a 5 cent tax increase was needed 5 years ago; Manager Morris noted the need for a 5 cent tax increase when he was here the first time
- If we did go up to 86 cents, that is nothing compared to some of the counties that surround Stokes
- Have to take everything into account
- We need to be able to keep our youth from leaving Stokes County
- If we settled on 10 cent increase the first year; would we have to go up the next year?
- Any tax increase is painful

County Manager Morris responded:

- You could possibly do that, but it would probably be more like 12 cents the first year
- Would have to do an estimate

Vice Chairman Jones continued:

- Feel it would be more kind to do it all at one time
- This County has not had a tax increase, except the four cent school tax, in over 10 years
- Not trying to make excuses, just trying to lighten the load on one end by going ahead and taking the hit the first time; be done with it
- Would like to know how much would be saved if only the statutorily mandates were provided

County Manager Morris responded:

- Would be possibly eliminating Senior Services, Economic Development, etc.
- Don't think you can live with those kinds of cuts
- Not sure what the total would be

Chairman Booth commented:

- Agree with Commissioner Inman regarding what the revenues might be
- We are coming to reality now
- You have to determine what is needed versus what you want
- The school's capital plan has \$6 million spent on this school, \$7 million on that school, etc.
- It would not take much more to build a new school
- Do not have to keep the fund balance at 20%

Commissioner Lankford questioned Vice Chairman Jones what she meant by keeping our youth here in Stokes County?

Vice Chairman Jones responded:

- Have to invest in ourselves to make our county look pleasing to the visitors
- Have to invest in Economic Development to provide jobs to keep our youth here after graduation from high school and to have something they can come back to after college

Commissioner Lankford commented:

- This situation did not happen overnight; it is not going to be fixed overnight; have always supported industry coming into the county
- Have had a lot of people move out of Stokes County due to the lack of jobs
- We still have the majority of the people in Stokes County driving outside the county for employment
- We all know that we need jobs in Stokes County
- Nothing has happen in the last 4, 6, or 8 years
- Going up on taxes is not necessarily going to be the solution

Vice Chairman Jones commented:

- We have to be the ones to make things happen because no one else is going to do anything about it
- I don't want a tax increase no more than anyone else does
- Reality is reality, we have to pay our bills
- Would almost rather see a 3 cent tax over the next four years and catch up than for us to continue to lag behind
- Someone is going to have to pay the "piper" eventually

Chairman Booth commented:

- Have to remember that things just continue to increase even if we were able to catch up

Commissioner Walker commented:

- Agree with some of what Commissioner Lankford said and some of what Vice Chairman Jones said
- One thing is that we are never going to change our situation in this county until we make a commitment to change it
- We have seen a history of things being the way they are for a pretty good number of years
- I can see today that something is not working, something has to change
- Came to the candidate's forum and heard each candidate who was running say how important (based on being out and talking to citizens) it is to have jobs in Stokes County

- We educate our kids, but they can't find jobs here
- We spend approximately \$63 million a year educating the students in Stokes County and almost nothing on economic development
- People are picking up on that
- One of the easiest way to botch a budget is over project the revenues, that will get you in trouble quicker than anything else you can possible do
- If we are looking at something to come in and rescue us, we are taking a huge risk

County Manager Morris commented:

- Comfortable with some of those rescue things after the next two budgets
- Afraid the timing is more geared to fix the problems after the 2015-16 and 2016-17 budgets

### **County Departmental Budget Analysis**

- Workload & demands are increasing in many departments and stable in others; None decreasing
- Personnel at minimum acceptable levels to provide current levels of service to citizens; Additional personnel needed in several departments
- Personnel turnover rates remain high, primarily due to salary level compared to surrounding counties
- Vehicles have been removed from fleet and are at minimum acceptable numbers
- Training and travel requirements have been reduced and will be reduced further in next budget; This will result in minimal savings for FY 15/16
  - Some conferences will be eliminated next budget cycle
  - May list the approved travel in the next year's budget
  - Majority of the training only cost the use of the county vehicle

Commissioner Walker commented:

- Doesn't the elimination of training have some impact on the way employees think they are being treated?

County Manager Morris responded:

- Some conferences are very beneficial in keeping employees up-to-date in their particular fields of work
- Will look at all travel and training very close
- Would like some guidance from the Board regarding travel and training
- Board of Commissioners could decide to skip the NCACC Commissioners Conference
- Need to look at what value this meeting or conference brings to the employee and the county

Commissioner Walker commented:

- Feel like I have more than benefitted from every NCACC Conference that I have attended
- Don't want to deprive our employees of those kinds of opportunities
- We can't pay as much as surrounding counties, but at least we can, I hope, continue to let the employees know that we support them and that we care about their career development

## Specific Comments by Department

County Manager Morris noted that he had discussed the budget situation with each department head individually.

County Manager Morris noted:

- Have 22 county departments with 5 entities that are not county departments – Clerk of Court, Forsyth Tech, Special Appropriations, etc.
- Provided information regarding each department (hope this will generate some questions)
  - **Administration**
    - Workload continues to increase with more projects (hospital project, Petree Project just to name a few)
    - Day to day operations continue to increase
    - Workload - increase
  - **Tax Department**
    - Implementing new software
    - Upcoming Revaluation
    - Having to measure every structure in the county before the next revaluation
    - Workload – steady, but increasing for revaluation
  - **Planning / Zoning**
    - Workload - steady
    - Slowly increasing with the economy
    - Lot of retirements coming within the next few years
      - Need to sometime in the near future talk about succession of employees; lot of senior people are all in a position to retire
      - Need to discuss as a separate topic on how the Board wants to address succession planning
  - **Information Technology**
    - Workload – increase
    - Would keep two more people busy all time
    - Departments have to wait on things getting done
  - **Veterans Affairs**
    - Workload – increase
    - Have lots of folks coming on the days he is closed
    - New guidelines coming down from the government
  - **Elections**
    - Workload - steady
  - **Senior Services**
    - Workload – increasing slightly
    - Baby Boomers driving that increase
  - **Dept. of Social Services**
    - Workload – increase
    - NCFAS
  - **Health Department**
    - Workload – steady
    - Elimination of Home Health

- **Economic Development**
  - Depends on investments as to how busy the director is going to be
- **Emergency Management**
  - Workload – steady
  - Takes a lot of time to meet the statute requirements
- **E-911 Communications**
  - Workload – steady
  - Addition in part time rate has worked in E911, but not in other departments
- **Forsyth Tech Com. College**
  - Get the new facility constructed
  - Maintaining the new facility
- **Purchasing**
  - Workload – increase
  - Does the work of two
  - Will be involved in upcoming special projects
- **Animal Control**
  - Workload – slightly increasing
  - Constantly dealing with issues with that department each week
  - Starting on a new tablet computer system that will hopefully help the workload
- **Soil & Water**
  - Workload – steady
  - Workload depends on the number of grants being executed by the department
- **Clerk of Court**
  - Only participates with the capital side of the budget
- **Sheriff's Department / Jail**
  - Workload – increase
  - Jail is overcrowded
- **Arts Council**
  - Workload – increase
  - Has to execute this \$1 million special project
- **Register of Deeds**
  - Workload – steady
- **Vehicle Maintenance**
  - Workload – steady
- **Cooperative Extension**
  - Workload – steady
- **District Resource Center**
  - Workload - steady
- **Fire Marshal**
  - Workload – increase
  - Behind on safety issues
- **Emergency Medical Services**
  - Workload – increase
  - Impacted by hospital crowd
  - Constantly using other counties' ambulances
  - EMS to be in the same situation as Health Department regarding staffing
  - Not able to maintain a good part time roster

- Significant turnover - currently have 4 paramedics position vacant due to worker comp., family medical leave, retirement, resignations
- **Public Buildings / Solid Waste**
  - Workload – increase
  - Kept the same number of employees, but continue to add buildings – Autumn Square, Soil and Water

Commissioner Walker confirmed with Manager Morris that there is no county funding going into the operation of the hospital except for what has been identified and approved in the lease.

Commissioner Walker questioned the possibility of a convalescent unit for EMS?

County Manager Morris noted that could be investigated in the upcoming budget.

**Here is Where We Stand  
(collide with the train in FY 2015-16)**

- Must increase revenues or cut expenses

Commissioner Walker noted that the only way he saw it was economic development, create jobs.

Commissioner Walker noted it was going to take a different mindset.

**Budget Guidance Questions for BOCC**

County Manager Morris noted other questions could be asked.

- What is minimum acceptable level of General Fund Balance over the next two budget years for the county (FY 15/16 & FY 16/17)?
- How much can property tax increase over next two county budgets?
  - Will a fire tax increase be considered if recommended by Fire Commission?
- Is the county willing to further increase user fees to address revenue shortages?
- What cuts in services to citizens and / or county departmental functions are realistic to make?
- What cuts to school current expense are realistic to make?
- Is the county willing to cut spending / services at a magnitude that would have a real impact on the gap between revenue and expenses in the county budget?
- Will county continue the current level of benefits for the county employees?
- What level of capital expenditures will be approved from the county and school system 5 year capital plan requests?
- Is the county willing to cut or eliminate funding to outside agencies that have been historically funded?
- Is the county willing to increase salaries to reduce the 20%+ personnel turnover rate?
- Is the county willing to add additional debt to fund the capital needs of the county and school system?

**Summary**

- County has now reached a very challenging budget dilemma
- Next two budgets must address the negative impacts of the following items:

- Loss of Hold Harmless
- Loss of revenue from last Revaluation
- Reduced sales tax revenue from lagging economy
- Depletion of available General Fund Balance
- Depletion of School System's fund balance
- Reduced State & Federal funding
- Unfunded mandates
- Property tax rates have remained the same or been reduced over an extended period of time, while budget continued to experience real growth
- Minor cuts in personnel / equipment & services will not solve budget gap
  - Any cuts must be carefully done to avoid unintended consequences such as revenue loss
  - Must keep in mind that many of the county services are mandated
- The next two years will require some very difficult decisions for the county to remain financially sound

Commissioner Walker commented:

- Need to note what this County has done over the past years
- Maintained a 60 cent tax rate
- Build the fund balance up from 3.5% to mid-twenties
- Got the County in good shape
- Confirmed with Manager Morris that it is time to make some tough decisions or the decisions will make themselves

Vice Chairman Jones noted that she would like to know the exact total of the negative impacts mentioned by Manager Morris on the budget such as unfunded mandates, etc.

Commissioner Lankford confirmed with Finance Director Edwards that the last payment of Hold Harmless was in Fiscal Year 2013-14.

County Manager Morris commented:

- Have to make sure and analyze each cut, some will lose a tremendous amount of state and federal funding
- Keep in mind that a lot of the services are mandates

The Board discussed loan requirements, keeping the fund balance equal to the average of like counties which is approximately 27%.

County Manager Morris presented each member with a copy of the Five-Year Capital Plan.

County Manager Morris noted:

- Plan includes all county departments with a separate plan approved by the Board of Education for the schools
- This document is unconstrained
- County needs are prioritized with justification
- Would like board members to review the capital needs for each fiscal year and decide if there is anything on the list that you can't live with

- This is a working document
- Would like board members to carefully review the upcoming capital needs for F/Y 2015-16
- If desired by the Board, can give the Board a revised recommended capital plan for each fiscal year

Commissioner Walker commented:

- I am one of this five-member Board that is not interested in micro-managing
- We hire a manager to do that job
- We let him submit a recommended budget for the Board to review, change and approve
- The reason you should provide a recommendation regarding capital needs for the county is that you are hands on with each department
- Need to let the manager know how much tax increase the manager can configure into the upcoming budget

County Manager Morris commented:

- Didn't include the cost of a new jail as possible grant funding and other revenue streams could impact the amount
- Overcrowding in the jail
- Waiting for more information on that subject

Commissioner Lankford commented:

- May not have overcrowding in the new year

Commissioner Walker noted the decrease of ADM Funding.

Commissioner Inman commented:

- Reiterated the county is being expected to make up the loss revenue from the State
- When enrollment is down, revenue is down for the school system
- Jail expansion – would like to look at the growth ten years back and projections ten years forward
  - Great income using federal inmates
  - Want to see if the numbers are there
  - Want as much information as possible regarding the request for expansion

Commissioner Walker confirmed that employees had received two (2%) COLAs and two (2) bonuses over the past four years.

Commissioner Walker commented:

- Very alarmed about the high turnover rate
- Trying to be as good to employees as possible
- Turnover is costly

Commissioner Lankford noted:

- It has been a trend for years in Stokes County with Stokes County being a training ground for the past 15 to 20 years for certain fields
- Local people are not available

- It is a known fact that most of the outside people hired, usually come, get the needed training and then go somewhere else
- That will continue no matter how much increase you add to the salary

County Manager Morris responded:

- Most that leave, tell us that wages are the deciding factor
- Salaries are usually the deciding factor in hiring and resigning

Vice Chairman Jones agreed that turnover is costly and questioned when and how the County could start turning it around?

County Manager Morris noted that salaries are the main reason the turnover rate is so high.

Commissioner Walker noted the dedicated employees that make this county work.

Commissioner Walker agreed that turnover is very expensive and leads to concerns of what kind of service is being provided by new untrained employees.

Commissioner Walker noted that the high turnover issue needs some attention, but do not know what the answer is.

Vice Chairman Jones noted that most of the time, you get what you pay for.

Chairman Booth noted the manager provided the Board with lots of information to review before the next work session on December 9<sup>th</sup>.

Commissioner Walker requested input and thoughts from fellow commissioners regarding the preliminary information that was presented today and how they see this going forward.

Commissioner Lankford noted that he had no comments at this time and needed time to review the information.

Chairman Booth noted that he would also like to review the information before discussion.

Vice Chairman Jones noted this information has been presented several times during the past few years; the question is “do we have the guts to make it turn around”.

Vice Chairman Jones noted that she was not ready to discuss the presentation today.

Commissioner Lankford requested the Finance Director provide the Board with the County’s total debt service on everything.

Commissioner Walker questioned Finance Director Edwards what the Local Government Commission (LGC) would think about the declining fund balance year after year regarding the county’s financial ratings?

Finance Director Edwards responded:

- LGC would not send a letter until the fund balance decreases to 8%

County Manager Morris responded:

- Below 20% could probably make the approval for borrowing funding from the Local Government Commission more difficult
- LGC looks at the average of like size counties

Commissioner Inman commented:

- LGC does not monitor the county's fund balance as it goes up and down
- The county's fund balance needs to be at the average of like size counties
- We are not the only county with financial issues
- Can get the current average of like size counties from the NCACC

Finance Director Edwards responded:

- If the fund balance is not at the average of like size counties, the LGC can tell the county that they would have to raise taxes to pay the debt

Chairman Booth noted that the County would need to look at borrowing additional funding if the fund balance is not at where it needs to be.

Commissioner Walker commented:

- The 4 cent school tax is already in place for the funding for the community college
- We would basically be lying to the public if we did not build the community college

Chairman Booth commented:

- Will have to consider what is in the five-year capital plan

Vice Chairman Jones commented:

- Need to wait until some of the old debt is off the books

County Manager Morris noted that one of the questions that this Board must answer is whether the County needs to borrow funding for capital improvements.

The Board discussed the GO Bond debt that will go off in three years.

Commissioner Walker commented:

- Kind of like Vice Chairman Jones' line of thought regarding raising taxes all at one time
- Given reasonable further cuts to expenses, would like to know how much a one-time tax increase in the next fiscal year would have to be to stabilize the county's budget
- Would also like to know the tax rate that can sustain this county long term
- With the hold harmless revenue and a good economy, the 60 cent tax rate actually worked for a number of years; a 60 cents tax rate no longer works, so what is it?

Vice Chairman Jones commented:

- Would like to see that projection as well regarding a one-time tax increase

County Manager Morris responded:

- Can consider decreasing taxes after the two years that taxes were increased, if things change
- Walmart is possibly coming, administration in Washington will change, revaluation

Commissioner Walker responded:

- Not sure citizens would buy that concept

Commissioner Inman commented:

- Must keep in mind that we have only been given the expenditure side, we need to see the revenue side before making any decisions
- Have to keep everything on the table
- Not sure the 60 cents tax rate was sustainable
- Must remember that the hold harmless revenue had been being used for current expense, that had to be stopped
- Would be very careful letting the fund balance go below the average of like size counties

County Manager Morris commented:

- Our budget is not similar to most like size counties
- Like size counties are not always comparable – for example - different revenue sources

Chairman Booth commented:

- Hopefully we are looking at some new revenue streams

Commissioner Inman commented:

- Just received an update from NCACC – the most updated figure for like size counties with Stokes is 27.8% based on the 2012-13 county audits; statewide average is 25.2%

Finance Director Edwards presented the following information to the Board:

- Sales Tax Report
- Budget Execution Review as of 10-31-2014

### **Adjournment**

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

Vice Chairman Jones moved to adjourn the meeting. Commissioner Inman seconded the motion.

Commissioner Inman commented:

- Wanted to thank the county manager and the staff for having the foresight to do a five-year capital plan
- This is something that we have not had in the past

- A ten-year plan provides even more valuable information for planning
- Very good information to have for reference

County Manager Morris noted that he would value input from the Board regarding the five-year capital plan.

Commissioner Walker commented:

- Want to give credit to this Board, this was a collaborative effort between this Board and the manager to come up with a five-year capital plan

County Manager Morris noted he would give Doug Carter credit for his suggestion regarding the five-year plan.

Commissioner Inman commented:

- When it comes to school funding, the county really needs to have a philosophy or a plan in writing; if you don't, you can get sued by the school system
- It can be very general
- Can get samples for the Board to review
- NCACC encourages every county to have a plan regarding appropriations to the school system

Commissioner Walker noted it makes sense.

Vice Chairman Jones commented:

- Very concerned about using the concept of conservative to be confused with fiscally responsible
- Have got to be fiscally responsible, not just postponing

Commissioner Walker commented:

- Need to always remember what our oath says "to make decisions in the best interest of our citizens"
- Have to balance it all together
- Would like to get some justification from the school system regarding the request for more funding when the school attendance has dropped

County Manager Morris noted the question to ask is "what is the relationship between ADM and current expense."

Commissioner Walker requested the manager discuss this situation with the superintendent.

The Board unanimously agreed to have the manager discuss the relationship between ADM and current expense.

County Manager Morris noted that he would inform the superintendent to have the Board of Education to be prepared to answer questions regarding ADM and current expense.

Commissioner Lankford commented:

- Most of the school system gets their funding from the state and tracks those figures
- State requires them to provide a ten-year capital plan with an update every five years
- Lot of those items listed on the capital plan are wants

Commissioner Walker noted that with the manager's presentation, more county funding goes to the school system rather than to the operation of the county.

The Board discussed the amount being funded by the county for education.

Commissioner Walker noted one question that needs to be answered is how the county can justify increasing the budget each year under the current situation?

The motion carried unanimously.

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**Darlene M. Bullins**  
**Clerk to the Board**

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**James D. Booth**  
**Chairman**