



Chairman Jones turned the meeting over to County Manager Rick Morris for the presentation of the Revenue Summary.

County Manager Morris noted that Finance Director Julia Edwards had provided each Board member with a Debt Schedule as of 11-01-2014.

Manager Morris provided the Board with an overview of today's work session:

- Would be discussing revenues today
- Expenditures were discussed at the last work session
- Each member has been provided with a five-year capital plan
- After today's meeting, should have enough information to start healthy discussions at the January work session
- This is not "sugar coated", it is the truth as best as I can understand it
- Have called it as I see it with the revenue projections, as I did in the first work session regarding expenditures
- Today's briefing contains solutions, as requested by the Board along with a description associated with revenues
- Feel every bullet in this briefing is very important
- Want to make sure the Board understands every point during the presentation
- Will provide a short comment regarding the five-year capital plan at the end of the presentation
- Feel the major discussions will be at the January work session after you have had time to review and study both presentations and the five-year capital plan
- Will hit topics during the front of the presentation, but will continue to provide additional detailed information on those topics during the presentation
- Please feel free to ask questions

#### **How We Got Here on Revenue**

- Sales tax revenue decreased significantly as a result of the FY2008/09 economic crash and has not recovered
- Hold Harmless funding ended in FY 2013/14
- General Fund property tax rate remained the same for the past ten years
- Revenue producing user fees only increased slightly over past ten years
- General Fund Balance has been held at or above 20% until now
- School system depended on non-recurring federal funding during past few years; County held "Current Expense" funding stable during this time even though the number of students has decreased
- In order to provide the expected level of services to the county's citizens, (some being mandated) the county budget requires a minimum one to two percent structural growth annually due to inflation and other increases; this trend will continue as we have experienced high turnover even with this growth

Vice Chairman Walker commented:

- Have been doing a little research regarding turnover
- Is that high rate of turnover mainly in the three departments (EMS, Sheriff's, Jail, etc)?

County Manager Morris responded:

- Sheriff's Department – Deputies
- Jail – Jailers
- E911 – Telecommunicators
- EMS – EMT Intermediates and Paramedics
- Social Services – Social Workers
- Health Department - Nurses

Vice Chairman Walker continued:

- Have been hearing about turnover since becoming a commissioner
- Just have not heard numbers like 20%
- How has this happened?

County Manager Morris responded:

- Turnover was very high when I was here the first time
- Just don't think anyone ever did the calculations
- That is a good discussion question for another day

Commissioner Lankford commented:

- Stokes County has always had a history of turnover from the school system to county government
- It is going to be that way because we are competing with larger counties that have much more revenue through the business sector
- Stokes County has been the training ground for the last 25 years
- This is not shocking to me that we have turnover now

County Manager Morris responded:

- You must ask the question "What is the cost of turnover?"

Vice Chairman Walker commented:

- Agree with Manager Morris regarding the cost of turnover
- In all my years in business, turnover is always expensive
- Confirmed with Manager Morris that the high turnover rate would need to be discussed at a future work session

### **Revenue Summary, Past and Future**

- **Past:**
  - Hold Harmless – \$2.2M annual revenue reduction
  - Property tax - General Fund tax rate held steady for at 60 cents for last ten years; Property tax revenue negatively impacted by revaluation
  - Fees – Have only increased slightly over past ten years
  - Sales Tax – Return to normal not projected earlier than 2017/18 (have a chart later in the presentation that will show how the sales tax revenue has impacted the County's revenue picture)

- **Future:**
  - Walmart – If constructed, could produce new revenue for General Fund in FY 2017/18, both property tax and sales tax
  - Jail Expansion – If constructed, could produce new revenue for General Fund starting in FY 2017/18
    - Will be talking more about the jail expansion later in the presentation
    - Sheriff Mike Marshall and Chief Deputy Craig Carico are in attendance for today’s work session
    - Sheriff Marshall will be available for questions
    - Would like to have a Special Meeting in early January to discuss possible jail expansion; lot of information that needs to be reviewed and discussed
  - Significant Economic Recovery – Not projected soon enough to help county revenue picture before FY 2017/18
  - Fee Structure – User fee increases would have minimal impact on total revenue picture for the county, but need to be kept at the breakeven levels at a minimum

**Stokes County Sales Tax Revenue**  
**(Rough Order of Magnitude)**

- Sales Tax Historical Trend FY07/08 thru FY 13/14

– FY 07/08.....\$ 8.3M		\$8.3M
– FY 08/09.....\$ 4.8M	+ \$2M (Medicaid Relief)	\$6.8M
– FY 09/10 .....\$ 3.5M	+ “	\$5.5M
– FY 10/11 .....\$ 3.1M	+ “	\$5.1M
– FY 11/12.....\$ 3.4M	+ “	\$5.4M
– FY 12/13.....\$ 3.5M	+ “	\$5.5M
– FY 13/14 .....\$ 3.6M	+ “	\$5.6M
- Far right column shows magnitude of sales tax losses and slowness of economic recovery
- FY 09/10 through FY 13/14 sales tax reductions are roughly equivalent to 8.5 cents of property tax
- Hope this information will make it easier to explain to the citizens regarding the decrease in sales tax revenue
- If you converted the loss in sales tax to property taxes, that would be 8.5 cents
- Can’t ignore these types of revenue hits
- This is a rough order of magnitude of what the revenue hit was to the County

Finance Director Julia Edwards explained the Medicaid Relief:

- With the Medicaid Relief, the County lost Article 44 Sales Tax and Article 42 was changed from point of delivery to point of sale
- With the Medicaid Relief, the County was relieved of the \$2 million Medicaid expenditure which is reflected in the information provided regarding the sales tax revenue

Vice Chairman Walker noted that since F/Y 2011-12, it appears it is coming back some.

County Manager Morris responded:

- It is coming back, but not near enough

Commissioner Inman commented:

- There is discussion in Raleigh that the big topic this year is going to be “Medicaid” in the Legislature
- There has already been a subcommittee meeting that took place December 1<sup>st</sup>
- The Senate and the House are on very different pages pertaining to Medicaid
- From very reliable sources, the discussion in the Senate is to give Medicaid back to counties
- That would absolutely break the backs of counties
- We also need to remember that counties are no longer held harmless, the county lost \$500,000 in Hold Harmless Medicaid Relief last year
- Confirmed with Manager Morris that \$500,000 loss was not reflected in the sales tax estimates
- That \$500,000 loss would equate to almost two cents property tax
- The top goal for the NCACC is probably going to be Medicaid
- Need to let the Legislature know the impact if Medicaid was returned back to the counties

### **Future Revenue Projections**

- Must not let current budget challenges lead us to overly optimistic future revenue estimates
  - Walmart – Current projections are directly from Walmart which strengthens credibility of the estimate (more details later in the presentation)
  - Jail Expansion – May be best long term solution to offset loss of a portion of the hold harmless revenue
    - Timing is right for jail expansion; multiple funding sources available now for reimbursement of prisoner housing
    - Should not repeat missed opportunity in 2004 that could be paying dividends now to address our current issues
    - Assuming the current and projected overcrowding and prisoner projection figures are correct, and the high probability of reimbursement from multiple sources is correct, the County Attorney and Financial Advisor plus others are fully on board for expanding jail now to increase revenue
    - Will have County Attorney Ty Browder, Financial Advisor Doug Carter, Federal Marshals, and Sheriff Marshall at the Special Meeting
  - Economic Recovery – This should eventually happen but timing and scope of recovery is less predictable than the two revenue sources above

### **Walmart Revenue Breakout**

- Walmart’s projection for sales tax produced is approximately \$900,000
  - Property tax estimate would add to both the General Fund and 4 Cent School Fund is approximately \$128,000, based on a \$20 Million value
- Walmart sales tax will be divided between county entities, the same as other sales tax
  - County 85%, King 12%, Walnut Cove 2%, Danbury 1%
- Will also increase Article 40 & 42 sales tax for school capital outlay and/or debt
- Will increase King Fire Department’s property tax and sales tax allocation and all other county & city fire departments sales tax allocations

Vice Chairman Walker noted the following regarding the future revenue sources such as Walmart, Jail Expansion, and Significant Economic Recovery discussed by Manager Morris, not being a guarantee:

- Walmart - if sales tax were changed back to per capita, that could be a direct hit on sales tax
- Jail Expansion – no guarantee that everything will hold in place even though the Sheriff has done his homework
- Significant Economic Recovery – bottom has fallen out once and could fall out again
- No revenue projections can be guaranteed

County Manager Morris responded:

- Nothing in this briefing regarding revenue sources can be guaranteed, but it is based on the best information available
- When projecting revenue, there is always some level of risks
- By the end of the work sessions, you should have a better idea of the risk level

Commissioner Booth commented:

- There has never been any guarantee in any county budget that is why you need to always budget conservatively

#### **Reasons to Consider Jail Expansion Now**

- Jail is overcrowded 99% of the time and projected to stay that way (normally becomes a concern at 80%)
  - Overcrowding prevents the county from housing outside prisoners and gaining that revenue
  - Overcrowding requires the county to spend money to house our prisoners outside of the county
- County under threat of a lawsuit where directed jail expansion will be under control of a federal judge (this scenario also brings significant legal expenses)
  - County has been down this road before and result was the forced construction of the existing jail, which initially had several construction deficiencies
  - County Attorney Ty Browder was the county attorney when the County was forced to build a new jail
  - County Attorney Browder will be at the Special Meeting to explain about forced construction
- County desperately needs a new revenue source in the FY 17/18 timeframe to offset recent revenue losses
- The climate for reimbursement is good with multiple state, federal and local sources available for the near term
- The jail business is a natural economic development activity for the county (no water/sewer issues) where infrastructure limits many of our other economic development opportunities
- Opportunity to combine financing with community college financing; would save paying loan financing costs twice (approximately \$70,000)
- Sheriff has high confidence in his prisoner projections and will make extra ordinary efforts to ensure every prisoner source is used to support the jail expansion business case

- The Sheriff has the support of Federal Marshal Service to help the county make the business case work in addition to his state and local sources
- My wife is from a town in Wisconsin that has five prisons and everyone in the town is associated with the prisons and make very good wages
- Sheriff Marshall can speak to his comfort level in jail expansion
- Federal Marshal no longer does guaranteed contracts for housing of inmates, but have already spoken to the Federal Marshal who is very interested in possibly housing federal inmates

Vice Chairman Walker questioned the reason why the jail expansion did not happen in 2004?

Commissioner Inman responded:

- County's financial status at that time
- Had about a 5% Fund Balance at the time

**Jail Expansion Financial Analysis**  
**(Worst Case Scenario)**

Manager Morris' original analysis projected a possible (\$11,426.70) loss for first year, but errors were noted and corrected regarding the projection. Manager Morris provided the Board with the following corrected projections after the meeting and requested the correct information be inserted into the minutes:

- This annual estimate reflects expanded jail operations beginning opening day
- Risk projection is "low" under this scenario
- Projected revenues = \$990,162.00 first year
- Projected expenses = \$827,028.75 first year
- Projected Net Profit/Loss = \$163,133.25 first year
- Assumes 20 year financing period with first debt payment of \$475,000
- USDA financing could be 30 years with first payment of \$392,000
- Transportation cost of \$95 per trip to outside jails is not included in the projections

**Jail Expansion Financial Analysis**  
**(Best Case Scenario)**

Manager Morris' original analysis projected a possible \$703,754.30 profit for first year, but errors were noted and corrected regarding the projection. Manager Morris provided the Board with the following corrected projections after the meeting and requested the correct information be inserted into the minutes:

- This annual estimate reflects expanded jail operations beginning opening day
- Risk projection is "medium" under this scenario
- Projected revenues = \$1,733,813.00 first year
- Projected expenses = \$855,498.75 first year
- Projected Net Profit/Loss = \$878,314.25 first year
- Assumes 20 year financing period with first debt payment of \$475,000
- USDA financing could be 30 years with first payment of \$392,000

- Transportation cost of \$95 per trip to outside jails is not included in the projections

County Manager Morris commented:

- The County is on line to spend approximately \$120,000 for housing inmates outside of the county
- There would be no penalty in paying off the loan early

Finance Director Edwards noted the projections were prepared by her and the County's Financial Advisor would have more detailed projections at the Special Meeting.

### **Revenue Challenge**

- Must survive next two budget years in reasonably sound financial condition
  - Will require adjustments to current revenue sources such as taxes, fees and General Fund balance; there are no other revenue sources unless I have missed something
  - As always, will continue minimum budget expenditures needed to realistically maintain acceptable level of local government services
- Then in FY 2017 assuming:
  - **#1** - Projected new revenue sources are approved and materialize
  - **#2** -Property values recover
  - **#3** - There is improved economic growth by the FY2017/18 timeframe, the BOCC can evaluate these three factors to provide budget guidance for the FY 2017/18 County Budget
- This budget guidance should address fund balance level, tax rates and other revenue items based on the actual budget experience from the two tough years that we are now entering
- Don't know what the story will be for F/Y 2017-18 until the County experiences these next two years

Vice Chairman Walker questioned if it would be possible to have the Economic Development Director speak as part of the budget process to what we can do as a County and what we can do as a Board of Commissioners to perhaps improve our chances with economic development?

Vice Chairman Walker continued:

- Economic Development Director could present his thoughts, his plans and just see what kind of picture he can paint as far as what we can be doing regarding economic development
- Would like to hear specifics as to how the County can work toward more economic development

County Manager Morris responded:

- No problem with including the Economic Development Director if so desired by the Board
- Economic Director is on board with the jail expansion
- Economic Director Wood's brother from the Federal Marshal's Office has been speaking with the Sheriff's Department regarding housing federal inmates

## **Conclusion**

County Manager Morris noted that the following conclusion is based from all the information provided:

- Unlike the Federal Government that has a spending problem, (don't know enough about the State Government to make a prediction) Stokes County Government has a revenue problem at this point in time
  - This may or may not apply to the County's school system budget; more visibility and detailed analysis would be required to make that determination
- My conclusion that the county has a revenue problem is based on the information provided in the earlier in this presentation plus the following:
  - My individual discussions with the county department heads along with my personal observation and involvement with the county department operations
  - At current County budget spending amounts, personnel turnover levels remain unacceptable and hiring of qualified candidates is often difficult
  - Many of the County's vehicles and computers, etc. are operated far beyond the normal life span of these items in other organizations
  - Unfunded mandates continue from the State and Federal levels that directly impact the County's spending level
  - Comparison of like counties by population shows that Stokes County's budget is by no means excessive
    - Average budget for counties our size is \$54,330,808 (FY 12/13 Local Government Commission data, 25-50K population )
    - Average General Fund balance for counties our size is 27% (FY 12/13 Local Government Commission data, 25-50K population )

County Manager Morris presented the following information that was also included in the first work session:

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

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

### **Allocation of Property Tax Revenue**

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

County Manager Morris noted that he spoke to Financial Advisor Doug Carter yesterday who noted the County possibly could get a USDA loan for the jail expansion.

County Manager Morris noted that concluded his presentation.

Chairman Jones opened the floor for questions or comments.

Vice Chairman Walker questioned Manager Morris what was his acceptable level regarding turnover?

County Manager Morris responded:

- If I were to set a target, it would be 5% or less
- Feel there is a very high cost for turnover, could possibly do an analysis to determine the cost of turnover
- There has always been a very high cost for turnover everywhere else I have been, can't believe it would be any different with the County

Vice Chairman Walker commented:

- We are assuming that there is almost a 100% correlation between our ability to pay for these positions and competition in nearby counties
- Questioned if there are any other factors that could be a contributing factor?

County Manager Morris responded:

- My observation, maybe I am a little bit biased, if you are getting paid what you consider a fair wage, I can't see any reasons why you wouldn't work in Stokes County instead of the other places
- Can't see any other reasons other than pay

Chairman Jones commented:

- Can the cost for turnover be quantifiable?

County Manager Morris responded:

- Some of it is not quantifiable, some of it is risk
- For example, all new people in a certain department such as EMS, DSS which are very difficult to quantify
- Could possibly do an analysis just to see cost for training
- Sheriff Marshall may have some comments regarding the turnover rate

Vice Chairman Walker commented:

- Confirmed with Sheriff Marshall that when you get a new deputy, they have a learning curve

Sheriff Mike Marshall responded:

- It normally takes about six months before you are comfortable with the deputy being on his own

Commissioner Lankford commented:

- Referenced the manager's comments about not knowing if the state had a spending problem regarding the budget
- Two years ago when the budget was done, they were facing \$3 billion in the "red"
- As of now, think the state is in the "black", don't think they have a spending problem now

County Manager Morris responded:

- The reason I made the statement is because I have analyzed federal budgets my whole career and have analyzed the county budget, but have never analyzed the state budget

Commissioner Lankford commented:

- Feel the federal budget is very scary right now, as we are looking at \$18 trillion and just passed a bill that will incur another trillion next year
- Have to wonder how long can this exist before someone puts the brakes on

Commissioner Inman commented:

- To follow up on Commissioner Lankford's comment
- The state legislature has done a fabulous job in getting the state budget back to ground zero
- Heard at the NCACC Board of Directors that the state is facing about \$500,000 shortfall in revenue projections, nothing like it was
- The biggest expense for the state is education
- The biggest expense for the county is education
- If you look at the county's allocation of sales tax, you are looking at 32 cents out of every sales tax dollar goes to education
- If you look at the county's property tax, you are looking at 35 cents out of every ad valorem property tax dollar that is collected goes to public education
- Have said many times that the county can't continue on just ad valorem taxes to run this county

Vice Chairman Walker commented:

- The one thing that we are discussing as a board and continuing to hear is the amount being spent on education, but what are we spending on creating jobs for these people to have a job and use that education?
- It is kind of a "catch 22"; we are educating our young folks well, but where are the jobs?
- Think we have some systemic issues; we have brushed by, but all the pieces have to fit together
- Confirmed with Sheriff Marshall there would be six new jobs created with the proposed jail expansion
- Walmart brings not only revenue, but jobs
- Allocating funding for education is good, but where is our effort on allocating funding for the creation of jobs
- Don't think we can sit back and wait for things

Commissioner Booth commented:

- Would like to comment on what I have observed over the past four years regarding job creation
- I commend the City of King – have brought Sheetz and Walmart to Stokes County
- Believe I have heard there would possibly be 200 jobs with the opening of Walmart
- Pioneer Community Hospital of Stokes has added over 100 jobs during the past two years
- Confirmed with Vice Chairman Walker that he is talking about all types of jobs
- New Dollar General Stores have opened throughout the county creating jobs
- Feel the County is moving forward with job creation
- Would like to hear other ideas if anyone has some

Vice Chairman Walker responded:

- One idea – get our Economic Development Director in here and ask him what we need to be doing to create jobs

Commissioner Booth responded:

- I am talking about what has been done during the past four years outside of economic development

Vice Chairman Walker reiterated the need for job creation.

Vice Chairman Walker noted the number of people that are still having to go outside Stokes County to work.

Commissioner Booth stated if there was a way that people would not have to go outside Stokes County to work, he would like to hear it.

Vice Chairman Walker responded:

- Here is the way - need to get started really serious to keep people from having to go outside Stokes County to work – creation of jobs

Vice Chairman Walker continued:

- Came to the candidates forum and listened to all three commissioners running for re-election, plus some others, say how important economic development is
- All three commissioners mentioned economic development in their campaigns

Chairman Jones noted that all could agree that there is a need for jobs in Stokes County.

Chairman Jones continued:

- Need for good paying jobs
- Must have a comprehensive strategy to get to that point
- It has not happened overnight and it will not be fixed overnight

Chairman Jones allowed Sheriff Marshall to speak regarding the jail expansion.

Sheriff Mike Marshall commented:

- Jail is currently running 99% of the time over populated
- From January 2014 through November 2014, there has only been one day that was not overcrowded
- It is a problem that needs to be fixed
- The problem was addressed in 2004
- State recommends when you are running 80% of the time over populated, it is time to start looking at expansion, that is why it was addressed in 2004
- State has recently made the decision on October 1, 2014 which becomes a reality on January 1, 2015 that all misdemeanor confinements will come back to the counties
- The state will be shutting down prisons across the state
- The good part is that the state will be reimbursing the county \$40 per day to house these inmates along with providing insurance and transportation

- Had a good revenue source years ago with the housing of federal inmates but that stopped when the jail became out of Prison Rape Elimination Act (PREA) compliance
- It is very hard to get federal revenue when the jail is not PREA compliance
- PREA has to do with housing underage inmates in several locations
- The new jail expansion will provide the necessary housing to get the jail in PREA compliance which means we can get federal inmates along with the state inmates
- Constantly turning down housing other inmates due to no bed space
- Losing approximately \$80,000 a year regarding weekenders
- If we can't house our inmates, we have to outsource to another jail which is very costly
- Right now, Rockingham is housing a lot of our inmates
- The big demand in this area is housing female inmates
- They will bring female inmates from as far as Alleghany County
- The need is there for housing female inmates
- My biggest fear is the liability of being overcrowded
- Would hate to see a large amount of attorney fees if the County was forced to expand
- Federal government will come in and tell the county what to do build and the county will get the bill
- Started looking at the expansion and it was estimated between a \$10 to \$11 million project
- Have been talking with an architect, who builds between 80 and 90% of the jails across North Carolina, and they have gotten the estimated cost down to approximately \$5 million
- Footings are already in place for the expansion
- Looking at dormitory style cells that requires less staff
- Have toured several jails across the state
- Agree with Manager Morris, a special meeting is needed to discuss potential jail expansion

Chairman Jones questioned the Board regarding a special meeting.

County Manager Morris noted that he would need to get back with Financial Advisor Doug Carter, County Attorney Ty Browder, and others for available dates in early January.

The Board discussed potential dates for a special meeting to discuss jail expansion.

The Board agreed to provide the Clerk available dates for the first three weeks in January in order to possibly schedule a date once Manager Morris has consulted the parties who need to be present for the meeting.

Commissioner Inman noted the next budget work session is scheduled for Tuesday, January 6, 2015.

County Manager Rick Morris briefly discussed the financial aspect for financing both the jail and the community college at the same time.

Vice Chairman Walker confirmed with Sheriff Marshall that the jail expansion would give the jail an additional 112 beds with total capacity of 180.

Vice Chairman Walker questioned Sheriff Marshall about adding more than 112 beds for possible additional revenue or at a later time?

Sheriff Marshall responded:

- Not sure of the cost
- Not sure if expansion could go beyond 112 additional beds at the current facility
- The architect that has been working with the department has been doing the work so far pro bono
- I am sure we would need to hire an architect before getting into those kind of questions

Commissioner Lankford discussed the comment with Manager Morris regarding the five jails/prisons located in a town in Wisconsin.

County Manager Morris commented:

- All the units located in the town are interchangeable with housing inmates
- Just about everyone in the town works with one of the facilities and makes a very good living
- Do know that they house prisoners from other locations

Sheriff Marshall spoke briefly about privatization of jails several years ago which caused issues with compiling with the laws.

County Manager Morris noted that Financial Advisor Doug Carter has worked with several counties with the construction of new jails and jail expansion along with obtaining USDA loans.

Sheriff Marshall reiterated that his biggest concern was the overcrowding and the main reason for the jail expansion is overcrowding.

Sheriff Marshall noted that with the additional revenue, the expansion should not be a burden to the taxpayer, don't want to put a burden on the taxpayers in Stokes County; it should pay for itself.

Chairman Jones expressed appreciation to Sheriff Marshall and Chief Deputy Carico for their attendance at today's meeting.

County Manager Morris spoke briefly about the five-year capital plan:

- Provided updated, corrected copies for each fiscal year for county expenditures along with corrected copies for the Sheriff's Department for replacement in the capital plan
- Sheriff Marshall had not included vehicle rotation in each of the five fiscal years
- Will be meeting with department heads to prioritize the upcoming fiscal year 2015-16 capital expenditures before the January work session
- Do not think one more budget work session will be enough; should probably look at scheduling additional sessions

Chairman Jones opened the floor for any additional comments.

Vice Chairman Walker questioned what is the range of what we are hoping to accomplish with these initial sessions?

County Manager Morris responded:

- Referred to the first work session which included the following questions that must be answered by the Board:
  - 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?
- Board also really needs to look at funding for the schools
- Board must decide what will be funded for capital for the county and school system and how to fund it

Commissioner Inman commented:

- Feel Manager Morris has provided some very good questions for consideration
- Feel you can consolidate those down into a couple of things
  - What comfort level is this Board going to be with as far as the reduction of the Fund Balance?
  - What comfort level is this Board going to be with as far as a tax increase is concerned?
- Have danced around a tax increase for 3 or 4 years
- Don't see any new revenue from the state
- Going to have to advocate long and hard to keep the state from doing more unfunded mandates, Medicaid is a big one
- School system is looking to the County to fill the gaps from both federal and state levels, how much longer can we continue to do that?
- Must look at current expense that has been for approximately 7,500 students, versus approximately 6,500 students now
- Have some very tough decisions to make
- Reality is that we are going to have a significant revenue shortfall this year and next year, none of the new revenue is going to come into play until at least two years down the road
- Economy is improving, but slow
- Real estate has significantly improved, but there is no comparison to 2008
- It is my personal opinion, based on my work in real estate, that we will not get back the 5% countywide loss in assessed evaluation with the next upcoming revaluation
- Seeing property is not bringing the old tax values, do have some doing a little better in some neighborhoods

Chairman Jones commented:

- Agree with Commissioner Inman's comments regarding the two issues – Fund Balance and tax increase
- There is no way to really know what is coming down the pipe, but if we can somehow fortify ourselves for the next two years, whether that means cutbacks, revenue, or taxes, we could at least assure our citizens that our actions, we hope, are temporary

Commissioner Inman commented:

- As far as cuts, I feel we have already taken out the “fat” and most of the “muscle”
- What we will do now is cut “bone” or complete departments
- Don't really see any way to cut unless complete departments are gone
- We built our Fund Balance on recapturing unspent funding each quarter and budgeting conservatively

County Manager Morris responded:

- Have already looked at cuts in each department
- As of now, I have one position that could be cut without a big impact
- The budgets are so lean now that there is not a lot of recapturing unspent funding each quarter

Chairman Jones commented:

- Not comfortable with cuts in department, must look at it as an option

The Board discussed the possible new revenue from Walmart which would not be seen until 2017.

Commissioner Booth commented:

- Agree with Commissioner Inman's comments regarding looking at the comfort level with the Fund Balance until some of these new revenues start
- Noted that during his past four years as a commissioner, the capital expenditures have only been for things that were necessities
- Looking at this year and next year as the toughest budgets in the past four years
- Have to be very conservative
- Reality is that there are some things that we will not be able to do right now

Vice Chairman Walker commented:

- One theory that I have accepted over the years – when you control your expenses, your taxes will set themselves
- When you are on track with your expenses, then you know what revenues it will take to meet these expenses
- In 2004, adopted a 60 cents tax rate
- Before adopting that 60 cents tax rate, looked at the past 32 years of tax rate history, looked at the average which was just shy of 60 cents
- It turned out that the 60 cent tax rate worked, but 62 cents would have worked better
- My question is: “What is the sustainable tax rate, as we go forward, that will work?” as it looks that 60 cents is no longer sustainable without the hold harmless revenue

- I would also be interested in what kind of tax rates are other counties having to do for the past 2-3 years
- Would like to know what the sustainable tax rate needs to be based on the manager's "new norm" to operate
- Have to also look at what tax rate are our citizens willing to accept
- Not on board of taking the full amount from the Fund Balance to balance the budget
- Maybe the place to look first for possible cuts is where our largest expenditure is
- May have to address with the school system, to see if they are willing to work with the County now to help us be in a better position to fund future needs
- Based on the last superintendent's presentation, it seems it is "how much more can you give us" and I am not sure we can handle that going into the future
- Very sensitive issue, but feel dialog always helps
- Going to be a very tough budget
- Should a tax increase be a realistic possibility, I need to be able to explain to the citizens what cuts and expenditures the County has made; feel they will be expecting to see some
- Hopefully, we will be able to answer that question once the budget work sessions are completed

County Manager Morris responded:

- As far as a sustainable tax rate, I would not suggest a tax rate and never reduce it, I would look at an annual tax rate each year
- If the schools are covered, if the services are covered, if the Fund Balance is at a proper amount, and there is excess revenue, you should look at reducing the tax rate
- Would never put it at a rate that would never come down
- Have to hope that a real economy will return which could impact sales tax
- Don't have to keep excess funds unless you have a specific purpose such as pay as you go for capital projects

Vice Chairman Walker responded:

- What I have noticed over the years is that citizens don't trust the government to handle extra money; they figure it will be spent
- 60 cent tax rate worked for a number of years

Chairman Jones commented:

- Reminded Board members to get the dates to the Clerk for a possible special meeting in January to discuss jail expansion
- Next budget guidance work session is January 6, 2015 at 10:00 am

### Adjournment

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

Commissioner Booth moved to adjourn the meeting. Commissioner Lankford seconded and the motion carried unanimously.

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

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**Ronda Jones**  
**Chairman**