

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF STOKES )  
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OFFICE OF THE COMMISSIONERS  
STOKES COUNTY GOVERNMENT  
DANBURY, NORTH CAROLINA  
MARCH 11, 2015

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 Tuesday, March 11, 2015 at 2:00 pm with the following members present:

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

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

Chairman Ronda Jones called the meeting to order and welcomed those in attendance.

Vice Chairman Walker delivered the invocation.

**GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE**

Chairman Jones 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 Jones entertained a motion to approve or amend the March 11, 2015 Agenda.

Vice Chairman Walker moved to approve the March 11<sup>th</sup> Agenda as presented.

Commissioner Booth seconded and the motion carried unanimously.

Chairman Jones noted that today's Agenda is open discussion.

County Manager Rick Morris presented the following Ad Valorem Tax information requested at the last Budget Session which was prepared by Finance Director Julia Edwards:

**AD VALOREM TAXES**

LEVY	\$3,340,437,369	TAX RATE	\$ .60
FY 2014-15 BUDGET AMOUNT		\$ 19,080,388.00	96%

ESTIMATED  
DIFFERENCE  
2014-15 TO 2015-16

60 CENTS	\$19,240,919.00	\$ 160,531.00
61 CENTS	\$19,561,601.00	\$ 481,213.00
62 CENTS	\$19,882,283.00	\$ 801,895.00
63 CENTS	\$20,202,965.00	\$ 1,122,577.00
64 CENTS	\$20,523,647.00	\$ 1,443,259.00
65 CENTS	\$20,844,329.00	\$ 1,763,941.00
66 CENTS	\$21,165,011.00	\$ 2,084,623.00
67 CENTS	\$21,485,693.00	\$ 2,405,305.00
68 CENTS	\$21,806,375.00	\$ 2,725,987.00
69 CENTS	\$22,127,057.00	\$ 3,046,669.00

**1 CENT TAX RATE @ 96% \$ 320,682.00**

**MOTOR VEHICLE TAX (STATE)**

LEVY	\$ 341,493,796	TAX RATE	\$0.60
FY 2014-15 BUDGET AMOUNT		\$ 1,761,586.00	100%

ESTIMATED  
DIFFERENCE  
2014-15 TO 2015-16

60 CENTS	\$ 2,048,963.00	\$ 287,377.00
61 CENTS	\$ 2,083,112.00	\$ 321,526.00
62 CENTS	\$ 2,117,262.00	\$ 355,676.00
63 CENTS	\$ 2,151,411.00	\$ 389,825.00
64 CENTS	\$ 2,185,560.00	\$ 423,974.00
65 CENTS	\$ 2,219,710.00	\$ 458,124.00
66 CENTS	\$ 2,253,859.00	\$ 492,273.00
67 CENTS	\$ 2,288,008.00	\$ 526,422.00
68 CENTS	\$ 2,322,158.00	\$ 560,572.00
69 CENTS	\$ 2,356,307.00	\$ 594,721.00

**1 CENT TAX RATE @ 100% \$ 34,150.00**

TOTAL TAXES	<u>ESTIMATED DIFFERENCE 2014-15 TO 2015-16</u>
60 CENTS	\$ 447,908.00
61 CENTS	\$ 802,739.00
62 CENTS	\$ 1,157,571.00
63 CENTS	\$ 1,512,402.00
64 CENTS	\$ 1,867,233.00
65 CENTS	\$ 2,222,065.00
66 CENTS	\$ 2,576,896.00
67 CENTS	\$ 2,931,727.00
68 CENTS	\$ 3,286,559.00
69 CENTS	\$ 3,641,390.00
 COMBINED 1 CENT TAX RATE	 \$ 354,832.00

Finance Director Edwards discussed the printout provided to the Board.

Chairman Jones opened the floor for discussion.

Commissioner Inman commented:

- There is not a lot of new information at this particular point in time other than what the Ad Valorem Tax increase would produce in annual revenues
- Don't know how much farther we can go until we get the actual proposed budget
- As the manager has so elegantly illustrated, we have a revenue problem
- Know there is some help coming, perhaps in a couple of years
- Even with sales tax dollars from Walmart and a potential income stream from possible jail expansion, both of which are two years away
- There is a two-year gap that this Board is going to have to fill
- There is only one way to back fill it
- When expenditures exceed revenues, you either have to borrow the money, take from savings (rainy day fund) with possible consequences that are not real good; those consequences that I refer to are the county's bond rating
- The County Manager has cut out all the "fat", so there is no allocated funding available to be pulled back at quarterly reviews as there has been in the past
- If you do any further cutting, you are going to hit "bone"
- The only way to save significantly on the expenditure side is to cut entire departments, don't know which of those we would start with, services that citizens have come to depend on
- So, that kind of lays out the scenario of where do we go from here?
- Are we going to take out another \$3 million from Fund Balance this year?
- Confirmed with Manager Morris that there is estimated a little over \$2 million that could be taken from the Fund Balance safely to balance the FY 2015-16 budget

- Confirmed with Manager Morris that the County is facing approximately a \$3 million deficit this year with another \$3 to \$3.5 million next year with inflation and structural increases (1.5% to 2%)
- Don't think we can take out another \$3 million next year, could put the county in a vulnerable position in being able to borrow, etc.
- To sum this up, we are going to have to pay the "piper" this year or next year
- If you don't, you will never catch up even with the two new revenues sources identified in about two years

Commissioner Lankford commented:

- There is some possibly brighter outlook on the state's portion this year where the County may be able to get some additional dollars, but other than that, I don't know of any other
- This could help the revenue issue
- Commissioner Inman summarizes the situation very thoroughly

Commissioner Booth commented:

- Agree that Commissioner Inman summarized the current situation
- Feel we are down to where we have to see a proposed budget before being able to make decisions
- Hopefully Walmart and some new Dollar General's will help with sales tax dollars
- Hearing that Walmart is hoping to open by Thanksgiving
- Feel we are at a standstill until we know the exact dollars needed for this year's upcoming budget

Vice Chairman Walker commented:

- To stabilize this budget, we need Fund Balance and an increase in Ad Valorem Taxes
- Like Commissioner Booth, need more facts and figures to be able to speak specific
- Generally speaking, that is how things are looking
- To me, one thing a budget should always do is to reflect the needs and wants of our citizens
- Don't want to keep belaboring the point, but I try listening to the citizens
- As we speak and have no real evidence otherwise, the number one issue for the citizens in Stokes County today other than taxes are never low enough and schools are never good enough is economic development and jobs, particularly quality jobs
- I am listening
- I think this budget should tell our citizens we are listening otherwise the question comes about government disconnect which I think citizens are very tired of
- Expenses, my philosophy over the years has been that expenses set the tax rate
- Commissioner Inman mention "fat" and I am sure that each commissioner has a different definition of "fat"
- Something the manager may think is "fat", I may disagree
- The test we have before us as a Board is to agree on what is "fat" and what is not

- What is an area to cut versus an area, even in tight budget times, that does not need to be cut
- Have some time to work on that
- I have found over the years, the best way to get in trouble with a budget is over estimate revenues
- Don't sense we are over estimating revenues, trying to be realistic
- Reiterated the budget should always reflect the priorities of our citizens
- Would feel guilty and I would feel like I have deceived the citizens if I did not consider the priorities of our citizens
- My preference when taking funding to balance the budget from Fund Balance is to be conservative; not push ourselves over the edge unintentionally
- Tread cautiously in the margin we leave with our Fund Balance
- Government is a whole lot like a business, it should be operated like a business
- If we need more revenue, then the question that is facing us along with how we get through this budget expands into – we don't want be in the same shape year after year
- If necessary, think out of the box
- If we continue doing the same in the future that has got us to where we are now, we are creating a situation where we deserve what we get because we have not been willing to take some steps to get us more where we need to be
- Early in the process
- I am not saying yes or no to anything at this point
- I am saying that we need to keep gathering information
- Will be glad to look at it in a reasonable way, whatever the numbers say

Chairman Jones commented:

- Everyone has made some very good points
- I am always interested in seeing how people think about things
- I see this as a mathematical equation
- Questioned Manager Morris regarding the deficit facing the County over the next two years?

County Manager Morris responded:

- Projected shortfall this Fiscal Year 2015-16 is \$3.7 million with an estimate of \$2 million being available from Fund Balance

Commissioner Inman confirmed with Manager Morris that taking the estimated \$2 million from Fund Balance will still leave a 20% Fund Balance.

County Manager Morris noted that projections are there will be another \$3 million shortfall for Fiscal Year 2016-17 with no Fund Balance available.

County Manager Morris discussed the shortfalls for FY 2015-16 and FY 2016-17.

Chairman Jones continued:

- Know there is the probability of new revenue in the future, but the shortfall is this year and next year which has to be addressed
- Once we get into the budget, feel it will come down to a math equation, the bills have to be paid
- Can't deplete our Fund Balance
- At the end of the day, we have to run the County

County Manager Morris comments:

- Look at the losses in revenue – sales tax, hold harmless, revaluation, federal and state funding cuts, etc.

Chairman Jones continued:

- Don't feel like belaboring where we are at
- We all know economic development is important
- We have started infrastructure and know good things are going to happen, but here today is our problem – a deficit for the next two years
- Got to make it happen
- We have all said going below 20% in the Fund Balance is off the table, unless everyone changes their mind

County Manager Morris responded:

- Recommend it being off the table for this year due to having to borrow funding this year
- Would not take it off the table for next year yet

The Board discussed keeping the Fund Balance at 20%, borrowing funding for the community college, new revenues, and the deficit for the next two years.

Commissioner Booth commented:

- Confirmed with Manager Morris that the 4 cent tax will cover the debt service for the community college

County Manager Morris confirmed with Finance Director Julia Edwards there could possibly be more available from Fund Balance this year to help balance the budget without going below 20%.

Commissioner Inman commented:

- \$3.7 million is the projected shortfall for FY 2015-16 with another \$3 million shortfall projected for FY 2016-17
- Questioned Finance Director Edwards what would be the Fund Balance after taking out the \$6.7 million with no new revenues?

Finance Director Edwards noted she could get that information.

Commissioner Inman commented:

- You can kind of predict your expenditures, but revenues are a projection
- The unknown is the economy

The Board discussed the current economy, inflation, possible new revenues and state and federal cuts.

Chairman Jones commented:

- Don't like counting my chickens before they hatch
- As soon as Walmart is up and going, could lose something else
- Don't think we can put so much stock in the "what ifs"
- Concerned about taking so much out of Fund Balance
- Don't want to work on the unknowns
- Once some of these other things are answered, it is going to come down to a mathematical equation

Vice Chairman Walker commented:

- I have been calculating some of the projections mentioned today
- If you take \$2 million from Fund Balance to balance this year's budget, it will take approximately 16 cents Ad Valorem Tax increase over the next two years
- Must also include a possible 1.5 cent fire tax increase
- Estimated figures show the County receiving approximately \$600,000 when Walmart gets to Stokes County which is almost as much as 2 cent Ad Valorem Tax revenue

The Board discussed Walmart coming to Stokes County, maintaining a 20% Fund Balance, loss of state/federal funding, and the Fire Commission's statement last year regarding the possibility of a 1.5 cent fire tax increase request for FY 2015-16.

The Board discussed Vice Chairman Walker's calculations projecting a 16 cent tax increase over the next two years

Finance Director Edwards responded to Commissioner Inman's question regarding Fund

Balance:

- Undesignated General Fund (Fund Balance) for FY 2013-14 is 26.5% (\$11,373,416)
- If the Board does not have a tax increase and continues to take the needed funds from the Fund Balance to balance the budget for FY 2015-16 and FY 2016-17 and makes no cuts, the Fund Balance could get as low as 10.72% (estimated)

The Board discussed the \$2.8 million allocated to balance the FY 2014-15 Budget.

Finance Director Edwards noted that the County would not know if the entire \$2.8 million will be used for FY 2014-15 until the audit is completed.

Commissioner Booth confirmed with Manager Morris that estimates provided by Finance Director Edwards does not include any new revenue such as Walmart.

Commissioner Inman commented:

- Just for information, a five cent tax increase for FY 2015-16 would produce \$2,222,065 in Ad Valorem tax revenue and take out approximately a \$1.5 million (to balance the budget) from Fund Balance leaving the Fund Balance at 22.52% (estimate)
- Keeping the same tax rate for FY 2016-17 and taking \$1 million from Fund Balance (to balance the budget) leaving the Fund Balance at 19.94% (estimate)
- Have to keep in mind possible new revenues streams – Walmart, possible other news businesses following Walmart to King, jail expansion, and revaluation
- Need to also consider the Dollar General's coming across the County
- The only downside to Walmart is that there will be some sales tax loss from other businesses
- You have to look at the amount of the sales tax loss to other counties such as Rockingham, Forsyth, and Stuart, Virginia that is currently happening

Vice Chairman Walker commented:

- Suggested looking at a six cent tax increase with the following three commitments:
  - Through Economic Development, the County is going to try to secure more revenue
  - When the economy improves, the County will take a look at reducing the taxes
  - All the "fat" that we can reasonably trimmed, has been trimmed
- Wanted to be able to ensure the citizens that all "fat" has been taken from the budget

Chairman Jones commented:

- Would like to respond to Vice Chairman Walker's comment regarding reducing the taxes
- That is one of the reason we are having this discussion
- I don't want to go with a model that we go back and re-evaluate to reduce
- We continue to talk about economic development
- If we are going to have funding for economic development, we need to be saving for that
- We have to invest in the County
- Referred to the reduction from \$.62 to \$.60 cents that no one really noticed
- Don't like to raise taxes, but there is the reality



Commissioner Booth commented:

- If the taxes had not been decreased by 2 cents, where would the money have gone, not sure it would have been put in the General Fund each year, most likely expenditures would have increased

Commissioner Inman commented:

- Agree with Commissioner Booth regarding where the 2 cents Ad Valorem taxes that would have probably not been set aside for the General Fund, not sure what other Boards would have done with that 2 cents

Vice Chairman Walker commented:

- Do agree somewhat with Chairman Jones regarding the reduction of the 2 cent Ad Valorem
- My philosophy is that the ideal tax rate is the sustainable tax rate
- Determine the tax rate needed by Stokes County within some margin, set the tax rate and leave it there
- Actually succeeded in doing that with the 60 cent tax rate for about 10 years with the Hold Harmless Funding

Commissioner Lankford commented:

- Everyone knows that I am a realist
- Don't see money falling from the trees
- Don't see jobs falling out of the air
- Personally feel, we have got to continue to be very careful with expenditures
- Have said this over and over, there are two factors in Stokes County that must be considered:
  - The age is increasing as far as the percentage of people
  - The number of people in Stokes County is decreasing
- Have to keep this in mind

Vice Chairman Walker commented:

- Agree that Commissioner Lankford's observations must be considered
- Have to look at how much money is spent outside of our county (sales tax revenue)

Chairman Jones commented:

- Have to look at transportation

Commissioner Booth commented:

- Want to add to the comment from Commissioner Lankford regarding the County's population getting older
- Want to add that the population getting older is on fixed incomes
- Must remember the tobacco buy-out has ended

The Board discussed the impact of a tax increase to the residents of the County.

Commissioner Inman agreed with Commissioner Booth regarding the tobacco-buy that has ended which will impact Stokes County.

Chairman Jones commented:

- The ending of the tobacco-buyout is a great concern
- Would love to see families be able to keep their farms
- Hope farms could be leased instead of sold
- Have to think outside the box – look for new crops
- Hope the community college, when built, could help with this

Chairman Jones questioned if there was anything else to be discussed?

Commissioner Inman suggested if Board members had questions before the delivery of the FY 2015-16 Proposed Budget in May to get with Manager Morris.

Vice Chairman Walker noted that he wanted to make sure this year that all the “fat” if any, is looked at.

Vice Chairman Walker noted that he wanted to look at the high turnover of certain departments such as the Sheriff’s Department and the cost of turnover in the upcoming budget.

Vice Chairman Walker also noted that he wanted to look at where we can spend money to save money. Vice Chairman Walker noted, for example, the adding of two full time positions in DSS last year to eliminate contract positions which would have saved county dollars.

### **Adjournment**

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

Commissioner Booth moved to adjourn the Budget Guidance Work Session.

Vice Chairman Walker seconded and the motion carried unanimously.

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

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**Ronda Jones**  
Chairman