

STATE OF NORTH CAROLINA)
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COUNTY OF STOKES)
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OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
JUNE 4, 2015

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Budget Work Session for the proposed Fiscal Year 2015-16 Budget in the third floor conference room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Thursday, June 4, 2015 at 10:00 am 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 Bullins
Finance Director Julia Edwards

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

Commissioner Lankford 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.

Budget Work Session

Chairman Jones turned the work session over to County Manager Rick Morris.

County Manager Rick Morris presented the following: "FY 2015/16 Revenue Overview For Stokes County Board of County Commissioners (BOCC)"

Overview

- Revenue projections remain conservative due to slow economy and other unknowns
- Projections for FY2015/16 are based primarily on actual collections this year compared to budgeted amounts
- Largest revenue problem is expiration of "Hold Harmless" funds, followed bad economy and Revaluation
- County and School System sales tax revenues are up slightly but lower than earlier years
- Holding an adequate County fund balance is critical in reducing financial risk and maintaining the County's high ratings from the rating agencies

FY15/16 Projected Revenue Summary

Finance Director Julia Edwards discussed the following revenues:

- Fund Balance Appropriated = 2.23%
- Ad Valorem Taxes = 54.23%
- Other taxes and Licenses = 8.44%
- Unrestricted Intergovernmental Revenues = 1.26%
- Restricted Intergovernmental Revenues = 17.85%
- Permits and Fees = 7.5%
- Sales and Services = 6.15%
- Other Revenues = 0.09%

Ad Valorem Taxes

Comparison Data

- FY 15/16 county value is \$3,340,437,369
 - General Fund-Estimated Ad valorem revenue is **\$21,165,011** using a **66** cent tax rate at **96%** collection rate
 - New School /F. Tech Fund-Estimated Ad valorem revenue is **\$1,282,728** using a **4** cent tax rate at **96%** collection rate
- For comparison FY 14/15 value was \$3,306,024,124
 - General Fund-The collection rate of 96.19% was used, which produced **\$19,080,388** in Ad valorem revenue at **60** cents
 - New School/F. Tech Fund-The collection rate of **96.19%** was used, which produced **\$1,272,026** at a **4** cent tax rate
- FY 15/16 county value for Motor Vehicle is \$341,493,796
 - Motor Vehicle Ad valorem revenue is **\$2,253,859** using **66** cent tax rate at **100%** collection rate. Local Government Commission recommends budgeting at 100%.
 - New School/F. Tech Fund-The same collection rate of **100%** was used, which produced **\$136,598**
- For comparison FY 14/15 the State did not collect for the full fiscal year
 - General Fund- Estimated Ad Valorem was based on collections for FY 14/15 at **\$1,761,586**.
 - New School/F. Tech Fund-Estimated Ad Valorem was based on collections for FY 14/15 at **\$117,437**.

FY 14/15 Sales Taxes

- Sales taxes are currently \$240,703 ahead compared to last year as of March 2015
- Sales tax revenue estimates for 30 June 2015 are:
 - Article #39 - \$1,686,673(budgeted amount \$1,425,000)
 - Article #40 - \$1,769,864(budgeted amount \$1,575,000)
 - Article #42 - \$438,125 (budgeted amount \$375,000)
- Projected gain this year over last year in combined sales tax revenue is \$270,615

FY 15/16 Sales Tax Estimates

County Manager Morris noted that Finance Director Edwards calculates the following estimates:

- Recommended FY15/16 budget sales tax estimates as shown below
 - Article #39 from \$1,425,000 to **\$1,545,000**
 - Article #40 from \$1,575,000 to **\$1,695,000**
 - Article #42 from \$375,000 to **\$400,000**
- These are conservative estimates based on actual collections experienced during this budget year

FY 15/16 School's Sales Tax

- Sales taxes are currently **\$95,930** ahead compared to last year as of March 2015
- Sales tax revenue estimates for 30 June 2015 are:
 - Article #40 - \$826,923 (budget amount \$700,000)
 - Article #42 - \$716,951 (budget amount \$600,000)
- Projected gain this year in combined sales tax revenue is **\$105,930** compared to last year.
- Recommended FY 15/16 budget sales tax estimates as shown below
 - Article #40 from \$700,000 to **\$770,000**
 - Article #42 from \$600,000 to **\$660,000**

Other Revenue Items of Interest

- No Home Health fees due to sale of license. (Sold to Pioneer Health Services, Inc.)
- Recommended budget uses projections from the State of N.C. for Health Dept and DSS
- IRS interest refund for QZAB / QSCB was budgeted based on receiving the full reimbursement. We never know when this reimbursement might change.
- Investment income was based on estimated collections for FY2014-15, these rates are controlled by the FEDs and until unemployment goes down it's not likely they will raise rates on investments.
- Proceeds from Financing include:
 - one (1) new ambulance \$181,000
 - five (5) cars for Sheriff's Department \$140,000
 - one (1) Fire Marshal vehicle for \$40,000
 - one (1) Garbage truck for \$265,000
 - one (1) Solid Waste truck new/used for \$15,000.
- Ambulance Fees reduced \$200,000 due to contracting the convalescent transportation.
- Budget recommendation is for appropriation of \$1,000,000 from General Fund balance
- Recommendation appropriates \$400,000 of Lottery proceeds for payment of school debt. This appropriation is based on what we receive annually from lottery funds.

- Transfer from New School/F Tech Fund appropriation has increased due to the use of lottery funds for new school debt. The total transfer amount of \$2,100,211 consists of \$1,890,396 for Early College and schools debt payment, \$104,518 Early College operating expenses, and \$105,297 Poplar Springs Elementary School operating expenses

The Board discussed the Manager's recommendation for contracting the convalescent transportation, offset of expenditures, discussion with a private provider to do the convalescent care, update of franchise ordinance, write-offs for Medicaid and Medicare, and the loss of revenue.

Revenue Adjustments

- Below are areas where revenue projections could be increased by BOCC
 - Ad valorem collection rate and/or tax rate – can go up to 96.97%
 - Increase fees for services (ex: EMS, Animal Control, Environmental Health, Planning, Solid Waste, Plan Reviews by the Fire Marshal's Office and etc,)
 - Could also look at charging a fee for fire inspections and plan reviews
 - Sales Tax estimate could be raised
- My conservative recommendation is to not increase any of these projections and to use any excess revenues that occur to offset other revenue shortfalls or to increase the County's General Fund Balance
- Try to keep the revenues conservative

Revenue Summary

- Strategy to address revenue shortfall should be to survive next two years using taxes and fund balance until projected relief from other revenue sources arrives in FY 2017/18 in the form of:
 - Walmart sales taxes; Potential jail expansion; Rebound of property values (Revaluation); Potential recovery in the economy; Potential passing of Senate Bill 369 – have heard Senate Bill 369 is stalled
- My recommendation on the size of the tax increase this year and the amount of fund balance used is not the only solution available
 - If a larger share of fund balance is used, care should be taken to keep the County in sound financial condition with rating agencies
- Non-competitive salaries have become a major issue that must be addressed "head on" to position the county for successful operations now and in the future, especially if you anticipate a recovery of the economy after the next election.
- In conclusion, keep in mind that there are three things we must accomplish with your decisions on revenue generation:
 - We must be resourced to perform the day-to-day operational functions to deliver the required level of services to our taxpayers
 - We must accomplish #1 and at the same time fix the \$2 to 3 Million revenue deficit bubble that has passed from year-to-year, which was caused by the loss of Hold Harmless, Revaluation and the economic sales tax crash of 2008

- Accomplishing #1 and #2 above plus addressing the 1% to 2 % annual growth in the budget will not likely be completed until sometime after FY 2017/18 unless Senate Bill 369 provides significant increases in near-term revenue
- Tax increase and allocation of Fund Balance can be used to balance the budget

Chairman Jones opened the floor for discussion.

Commissioner Booth questioned what was the increase in this year's budget?

County Manager Morris responded:

- 1.03% without the three-grade increases
- 2.2% with the three-grade increases

Vice Chairman Walker confirmed Senate Bill 369 is to be phased in over the next five years.

County Manager Morris noted that if Senate Bill 369 passes, next year's budget will be a lot easier.

Commissioner Inman commented:

- The twenty urban counties are not going to stand back regarding Senate Bill 369
- Strong lobbying efforts going on right now in Raleigh
- Would not be good business right now to balance this budget depending on Senate Bill 369
- Surry County has just approved a Resolution against Senate Bill 369
- Not all rural counties support Senate Bill 369
- Believe NCACC is taking the nonpolitical stand as they represent all 100 counties

The Board discussed Senate Bill 369 and its potential impact on Stokes County.

Chairman Jones commented:

- Heard similar things mentioned by Commissioner Inman while in Raleigh last week
- NCACC is not there to divide the counties, feel that is why they are taking the middle of the road on this issue
- Everyone does not win with Senate 369

Commissioner Inman commented:

- Do not feel there will be any change in the lottery funding

Commissioner Lankford commented:

- Take a little different view than Commissioner Inman regarding NCACC and Senate Bill 369
- Feel the Association is definitely supporting the large municipalities
- Could tell it in their conversation at the District meeting
- NCACC, in my opinion, is trying to make like it is nonpolitical, don't believe that

- Governor McCrory is signing bills that supports large cities and vetoes the ones that don't support the large cities
- Think there will be some amendments to the bill and feel Stokes will end up getting a small portion

Commissioner Booth commented:

- Mount Airy and Pilot Mountain will lose approximately \$600,000
- Surry County will gain approximately \$2 to \$3 million
- Surry County will still gain even though the municipalities will lose some

Vice Chairman Walker commented:

- Stokes is in an interesting position – Surry County on one side opposing Senate Bill 369 and Rockingham County on the other side supporting Senate Bill 369
- Rockingham County is even considering dropping from the NCACC due to NCACC not supporting Senate Bill 369

Chairman Jones commented:

- Noted the Resolution approved by the Board in support of Senate Bill 369 recently

Commissioner Inman commented:

- Ready to sign another resolution in support of Senate Bill 369 and sent it to Raleigh

Vice Chairman Walker questioned if there was any news regarding the Walmart coming to

King?

Commissioner Lankford responded:

- As of yesterday
- Walmart had changed the design somewhat and had made a request to sell gas
- Walmart had to return to the State for additional approvals which have all been done
- Walmart is now ready to go

Chairman Jones allowed Stokes News Reporter Nick Elmes to provide the Board with additional information regarding Walmart.

Reporter Elmes noted the following:

- Should start grading late summer or early fall
- Construction will not be started until January 2016
- Information was received from King Mayor Warren and City Manager Dearmin
- Hope to open in 2016

Finance Director Julia Edwards discussed the following handouts with the Board:

- Terminated employees from specific departments
 - Jail = 16
 - Social Services = 12
 - E911 = 10

- EMS = 20
- Senior Services = 1
- Sheriff = 19
- Health = 13
- Solid Waste = 8
- Planning = 1
- Animal Control = 1
- Economic Development = 1
- Fire Marshal = 1
- Total = 103
- Will provide the Board with a breakdown of full time versus part time
- Ad Valorem Taxes
 - Detailed analysis providing what each cent (\$.60 to \$.69) would bring in
- Collection rate for FY 2014-15 is 96.19%
- Per audit, collection rate for FY 2015-16 can go up to 96.97%
- School Fiscal Year 2015-16 Budget Summary
- County's Fund Balance as of 06-30-2014 = 26.50% (Unassigned)
- GO Bond debt has two years remaining after FY 2015-16; therefore, \$1 million can be used for capital outlay items (roofs, repairs, broilers, etc.)
- Sales Tax data for FY 2014-15
- Information regarding the amount of current expense and capital provided to surrounding county school systems and counties the size of Stokes (ADM Funding)

The Board discussed the Ad Valorem Taxes breakdown provided by Director Edwards.

The Board discussed the collection of taxes in this fiscal year.

The Board discussed the ADM Funding compared to the decreasing number of students.

Finance Director Edwards discussed the upcoming refinancing:

- Three loans with BB&T will be refinanced:
 - Nancy Reynolds/Early College going from 4.89% to 2.89%
 - Poplar Springs Land going from 4.73% to 2.89%
 - PODS going from 4.07% to 2.89%
- Do not know the exact amount of savings yet

The Board requested the total amount of savings from the refinancing.

County Manager Morris noted that figure could be provided at the next budget work session.

Commissioner Inman requested the following information:

- Amount the Fund Balance will be after allocating \$1 million for FY 2015-16 budget as recommended by Manager Morris
- Amount the Fund Balance will be with no tax increase for balancing FY 2015-16 budget
- Amount the Fund Balance will be after increasing taxes one cent, two cents, three cents, etc. up to six cents and allocating what is needed to balance the budget

- Would like to see different scenarios
- Don't want balance the budget on Senate Bill 369
- Average home sales continue to increase, could get back the 5% lost in the last revaluation
- Could balance the budget without a tax increase just by overestimating revenues – that is not realistic

Commissioner Booth commented:

- Good information requested by Commissioner Walker
- Noted the additional \$800,000 that could be not be spent in FY 2014-15 that would go back into the Fund Balance which is very good news

County Manager Morris discussed the estimated \$800,000 mentioned by Commissioner

Booth.

County Manager Morris commented:

- Will have to wait until after June 30, 2015 to make sure there is no big emergency
- This could provide \$1.8 million for FY 2015-16 or FY 2016-17 instead of \$1 million as previously projected
- There is a lot of uncertainty over the next few years – Senate Bill 369, Walmart, revenue from jail expansion if approved, economy

Vice Chairman Walker commented:

- Confirmed with Manager Morris that the DSS vehicles would not be financed due to the low amount of county funding needed
- Have to keep in mind – next year could be worse
- Economy still fragile

County Manager Morris noted staff could run different scenarios regarding tax increases,

Fund Balance projections, etc, if needed.

Commissioner Lankford commented:

- Questioned Manager Morris how many vacancies there currently were in the Sheriff's Department?

Manager Morris responded:

- Sheriff has no vacancies at the moment
- Sheriff has indicated that he has no part timers that want full time status
- Sheriff has indicated also that in the last BLET graduating class, the county received no applications for employment

Commissioner Booth commented:

- Sheriff's Department retains several certifications for several officers
- Questioned if those whose certifications are being held were working any part time?

County Manager Morris responded:

- Would have to get the that kind of information from the Sheriff
- Understand he is down to no part timers
- Sheriff and Lieutenants are having to take patrol due to not being able to get a part timer when the full timer is out

Vice Chairman Walker suggested having the Sheriff at the next budget work session.

Commissioner Lankford stated he did not think the Board would be ready at the next meeting.

Commissioner Inman and Commissioner Booth both stated that they had already had personal conversations with the Sheriff.

Commissioner Inman stated he had no problem the Sheriff attending a meeting.

Chairman Jones suggested since several of the commissioners had already spoken to the Sheriff that commissioners should contact him one on one, but could invite him to a future meeting if needed.

Vice Chairman Walker noted recent comments from Manager Morris regarding the lack of applications being received when a vacancy occurs along with the quality of applicants being interviewed which presents a big liability for the county.

Commissioner Booth commented:

- That occurs in other counties also, not just Stokes County

Chairman Jones noted the following schedule for next week:

- Public Hearing – June 9, 2015 – 7:00 pm
- Budget Work Session – Thursday, June 11, 2015 – Joint Meeting – Board of Education
- Budget Work Session – Friday, June 12, 2015

Adjournment

Commissioner Inman moved to adjourn the Budget Work Session. Commissioner Booth seconded the motion.

Vice Chairman Walker requested to note a few things before the adjournment:
June 4, 2015

- What kind of County do we want Stokes County to be? Quality versus cheap
- Need to address some of these issues in this budget
- Have tried to scrape by for years and look what it is gotten us
- This County is not in good shape
- As part of the budget process, we need to decide what kind of County do we want to be

Commissioner Booth responded:

- Think the County is in good shape
- New schools built recently along with renovations
- Have done a lot with a lot of things to come – community college, for example
- Early College – this graduating class has received \$2+ million in scholarships
- New internet service coming to those unserved or underserved
- See this County moving forward
- Better health care
- Increase to the Fund Balance annually
- Can't agree with Vice Chairman Walker's statement

Vice Chairman Walker responded:

- Agree to a lot of what Commissioner Booth said
- If economic development does not increase, we will not be able to continue to keep doing things like Commissioner Booth described
- Have to have economic development
- Agree, we have achievement some significant things in the county
- My question is how to keep doing those kind of things without an increase in revenue
- Each commissioner is hearing what I am hearing from the manager, unless revenues increase, things do not look all that "rosy"

Chairman Jones called the question to adjourn.

The motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ronda Jones
Chairman