

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 12, 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 Friday, June 12, 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 Morris presented the following information:

- Additional information regarding the roof at Chestnut Gove Middle School from the Stokes County School System
- Sales tax update from Finance Director Julia Edwards
- Revenue projections based on different tax rates and estimated Fund Balances from Finance Director Julia Edwards
- Projections for the new version of the proposed Sales Tax Distribution Bill
 - Projected to get \$3.7 million in 2019
 - Can do a referendum to add a one half cent sales tax if desired by the County
- The request for \$97,000 DSS request to research a case management system for social workers; if this is the desire of the Board, would need to place a budget amendment in the next Agenda to place the funding in Capital Reserve for FY 2015-16

The Board discussed the projected amounts the County would receive under the new version of proposed Sales Tax Distribution Bill and the option to add a one half cent sales tax.

County Manager Morris noted the turnover rate of FY 14-15 is now 104 with another resignation from a Foster Care Social Worker.

County Manager Morris discussed the request for another \$100,000 allocation for school capital needs.

County Manager Morris noted:

- Do have additional funding that can be allocated this year for capital expenditures for the schools, but that will take away available funding for next year

Chairman Jones stated that she felt the need is there for additional funding after hearing the comments regarding the roofing issues

Commissioner Lankford stated that he felt the need to wait until everything was done before allocating any additional funding.

The Board discussed the information provided by the school system regarding the roof at Chestnut Grove Middle School.

Commissioner Lankford related information to the Board from Senator Randleman regarding the Sales Tax Distribution Bill:

- Talked to Senator Randleman yesterday
- Think they may be the votes for this version

- Senator Randleman feels pretty positive about this version
- Houses both had to compromise because of the municipalities and counties

Chairman Jones opened the floor for discussion.

Commissioner Booth commented:

- This is going to be a tough year
- Do not want to do a tax increase
- Think everyone at the forum last fall stated that they did not want to do a tax increase
- Looking at all options without having to do a tax increase

Commissioner Lankford commented:

- Not in favor of doing a budget amendment at the next meeting for researching a case management system for DSS

Chairman Jones commented:

- My whole theory for being a commissioner is to do the best I can and be fiscally responsible
- No one wants to raise taxes or pay taxes
- Have to do what is needed for the County
- Need to keep the pay gap in mind
- Need to educate the public
- Going to get to a point where we can't fix things fast enough
- Once the economy gets better, it is a very valid point that the pay gap is going to be worse
- Have got to have a lot of forethought to what we are doing
- Can't keep going backwards
- If we could get through the next two years, we should be in a better position
- Going to have to make some really hard decisions
- Don't want to leave the next Board in worse shape just because we want to kick the can down the road or postpone doing what is needed
- No way to please everyone
- Have had citizens come up and say no tax increase
- Have had citizens come up and say they do not have a problem with paying a little extra money because they see the need
- Don't like a tax increase any more than anyone else does
- Just have to let the people know the reality
- My promise has already been to do the best I can

Commissioner Lankford commented:

- You did say that you would not support raising taxes

Chairman Jones requested to see that in writing because I have always said we have to be fiscally responsible.

Commissioner Lankford noted he could provide the statement.

Vice Chairman Walker commented:

- To the best of my knowledge, I have not supported a tax increase in over 20 years
- This year, circumstances are different
- I have always said that I will try to keep the taxes as low as possible
- We went 10 years in this county with a very low tax rate
- Probably have stretched that tax rate more than we should have
- Have only increased the fire tax along the way
- This is how I feel and would be glad to make this into a motion when the time is right
- Have studied the budget and considered various factors
- Budget is very similar to last year
- Is this budget like I would have prepared it? No
- Would have put some other things in the budget
- Would have left some things that are in the budget out
- Believe that the manager and staff have put a lot of time and effort into the recommended budget
- The budget that I have come up with would have a 65 cent tax rate; this would show the people that we are trying to go with the lowest possible tax
- Sixty-six cents would probably be better, but think we can get by with 65 cents
- Liked the tone of the meeting with the Board of Education yesterday
- Would allocate another \$100,000 for capital needs for schools
- I can justify 65 cents due to some positive economic factors that are coming into play that can make a difference in the upcoming years
- If we see 65 cents is not working next year, we can always re-evaluate during the budget process
- The county has been battling a tax increase for several years
- Have offset that needed tax increase by allocating funding from the County's Fund Balance
- Comes a time you have to realize it is not working any longer
- This is where I am

Chairman Jones commented:

- Agree with Vice Chairman Walker that there are some economic factors that could make a difference
- I was thinking more of a 64 cent tax
- Need to look at the pay gap next year
- Have postponed this tax increase for several years
- All of us, philosophically, are against increasing tax, that is a given
- If someone can show me a viable way to keep services as they are, fix the pay gap, fix the projects, fix the turnover rate, etc. without a tax increase, I am ready to hear it
- I don't know what the answer is
- Not sure 64 cents this year will keep us from having to increase taxes next year
- It is a tough decision

Vice Chairman Walker stated that he wanted to point out that we are not just raising other citizens' taxes, we are raising our taxes, too.

Commissioner Inman commented:

- Not ready to make a motion about a tax increase at this particular moment
- I have just received additional information at the start of this meeting that needs to be evaluated
- A budget is rather simple – revenues and expenditures
- When revenues exceed expenditures, you are in great position
- That is a rare case when revenues exceed the expenditures
- It is almost always the other way around – expenditures exceed revenues
- When that happens, you have to increase revenues or decrease expenditures
- This Tax Fairness Bill tells me that we are not really going to get anything significant until after this budget and the next budget
- If you are not going to look at increasing taxes this year, why would you want to consider raising taxes next year
- Without having a tax increase, more Fund Balance would have to be allocated
- Not ready for any kind of motion regarding a tax increase or without a tax increase
- If we don't do a tax increase this year, will not vote for a tax increase next year

The Board discussed the tax revenue projections provided by Finance Director Julia Edwards.

Commissioner Lankford commented:

- There is no way, form or fashion, that anyone could have gone through this budget, in my opinion, and reviewed everything including the revenues and expenditures and made a decision based on a certain number because there are things in this budget that could be changed, eliminated, etc. (not talking about personnel) to not have a six cent tax increase
- I am no way near the manager's recommendation for a six cent Ad Valorem tax increase and a 1.5 cent increase for the fire tax
- There are some things that can be changed
- Feel there is a lot of work to be done before someone can make a motion to have an increase
- Just had the joint meeting with the Board of Education
- Can't believe anyone at this point can already have a tax rate in mind

Chairman Jones stated that commissioners should start putting ideas on the table to see what can be done to the manager's recommendation.

Vice Chairman Walker commented:

- I am very comfortable with 65 cent tax rate and \$100,000 additional allocation to the schools for capital needs
- For years, I have gone through budgets taking from this line item and that line item

- This year, I am taking a different approach
- I am taking the recommendation from the manager, who is our budget officer
- I don't totally agree with everything in his recommendation
- If we can't put confidence in our staff to present a budget that will work for this county, we might be in trouble

Commissioner Lankford noted that Vice Chairman Walker had voted against the last four budgets this Board had approved.

Commissioner Lankford noted that Vice Chairman Walker stated he voted against last year's budget because there was approximately \$1.5 million that could be cut and still make the budget work.

Commissioner Lankford continued:

- This turnover is something this county has had for years and will always have it
- Feel that we are getting quality employees to apply for positions
- Every employee must have training that comes to a new position
- There are a lot wants not necessities this budget recommendation
- I have got about halfway through the fire department' budget information that was provided to the Board
- I requested to go to each department and review their equipment, budget, and Fund Balance; the other commissioners did not want to do it
- Some of the information that I have looked at in the fire department budgets, I don't particularly like what I am seeing
- Have a lot of problems with this budget
- Just putting my thoughts out there
- Think there are things that can be done different

Commissioner Booth commented:

- Have just started looking at the fire departments' budget
- Agree with Commissioner Lankford regarding the budgets
- Seeing large Fund Balances in some departments
- County allocated Fund Balance last year and still increased the Fund Balance
- Have to consider the additional amount (approximately \$800,000) noted by Manager Morris that could possibly go back into Fund Balance this fiscal year
- Believe there are some things that can be cut from the manager's recommendation
- Have to look at future things that may be coming – Sales Tax Distribution, Walmart, etc.
- Have a long ways to go before I can agree to any tax increase

Vice Chairman Walker commented:

- To respond to Commissioner Lankford's comment regarding my no vote on previous budgets
- I have voted no on some budgets, but it wasn't just because cuts could be made

- Cuts could be made in this budget
- Do not think there is a budget that I have worked on that there were not some cuts that could be made
- Could you cut \$1.5 million out of this budget? Absolutely
- Could you cut \$3 million out of this budget? Absolutely
- How would those cuts impact the employees, the citizens?
- Any budget can be cut
- Is a five cent tax increase, the right amount? There is no guarantee
- Is no tax increase, the right amount? There is no guarantee

Chairman Jones commented:

- There was a comment about wants and needs
- I don't want a tax increase
- I want our county to be fiscally sound
- I want to protect our 20% Fund Balance for our credit rating
- I want to protect our health, safety and educational essentials
- I want to reduce our turnover rate
- I want to reduce our pay gap
- I want to prepare for economic development challenges
- I don't think my wants are being selfish
- I want what is best for our county
- That is the bottom line
- It comes with a price

Commissioner Booth commented:

- Need to consider the tobacco buyout that has ended
- We are a farming county
- We have an older population who are on fixed incomes
- Some have to choose to buy medicine or groceries
- Need to get through these next two worse years before increasing some of things that are included in this budget
- When talking about wants, my wants are to do the best job we can for our citizens and county with the lowest tax rate

Commissioner Lankford commented:

- Some of the personnel/services in this recommended budget are being compared with Forsyth County; can't compete with Forsyth County
- High property tax will not attract new businesses to the County
- Discussed Forsyth County's tax rate compared to what is recommended by the manager

Commissioner Inman commented:

- We can sit here all day long and go line by line
- Feel everyone on this Board wants to do the best we can for the County
- Need to take the personalities out of it and make this a business decision
- We are spending taxpayers' dollars every time we meet
- Need to get down to business

- Could look at a phase-in tax increase

County Manager Morris noted that his recommendation keeps the County financially sound.

Commissioner Inman commented:

- Want to look at the next two budgets without a tax increase and where that would leave the Fund Balance
- Walmart will not start construction until 2016
- Real estate continues to improve
- If real estate continues to improve, it looks positive that we could get back the 5% with the next revaluation

Vice Chairman Walker commented:

- Four cent tax increase could work, but feel it would need to be in the range of 64 or 65 cent tax increase
- Would like to find a sustainable rate that would work
- Don't feel like I need to micromanage the manager's recommendation this year
- There is never a perfect budget
- Make something that will work
- Can re-evaluate the tax rate next year

County Manager Morris noted that he would respectfully disagree with Commissioner Lankford about the wants in the recommended budget; there are not wants in this recommended budget, they are needs based on a collective assessment with department heads.

County Manager Morris noted that he had given the Board the base line requirement needed to operate this place at a minimally acceptable level.

County Manager Morris concluded that he was on the record that this is what I need to operate this county like it is supposed to be operated.

Commissioner Inman commented:

- It would be great to find that sustainable rate like Vice Chairman Walker mentioned
- A county that depends solely on ad valorem taxes does not have a sustainable budget
- You can never really find a rate that can work year after year
- If you have to continue to take from the Fund Balance, you don't really have a tax rate that works

Commissioner Lankford commented:

- Being conservative on spending has allowed us to put more into the Fund Balance
- There are wants in this budget that will not impact the operation of this County
- We don't have to buy vehicles for the Sheriff's Departments this year
- There are things in this budget that are wants

- I will get with Finance Director later to get additional information

Commissioner Booth commented:

- The County's Fund Balance has continued to grow year after year without having a tax increase
- Have built new schools
- Have done school construction
- Have not decreased services

Vice Chairman Walker commented:

- Having some good discussion and debate today which is always good
- There has been a lot of work and sacrifice to bring up the Fund Balance over the years
- Salaries in critical departments have not been increased
- Think the time has finally caught up with us
- Had a sustainable tax rate as long as we were getting the Hold Harmless funding
- It is a different story now and we have not made any adjustment for losing the Hold Harmless

Commissioner Lankford commented:

- One thing to keep in mind that hasn't been mentioned is that there has been growth in the County (new construction and new businesses)

Chairman Jones commented:

- Want the Board to make the right decision even if it is a hard decision

County Manager Morris discussed the \$97,000 needed to be placed in Capital Reserve for research for a case management system for social workers and questioned the desire of the Board?

The Board agreed to put the item on the next Discussion Agenda for further discussion with DSS Director Stacey Elmes before making a decision.

Adjournment

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

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

Darlene M. Bullins
Clerk to the Board

Ronda Jones
Chairman