

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF STOKES )  
 )

OFFICE OF THE COMMISSIONERS  
STOKES COUNTY GOVERNMENT  
DANBURY, NORTH CAROLINA  
JUNE 19, 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 19, 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 meeting over to County Manager Rick Morris.

County Manager Morris provided the Board with a copy of the information provided to the Board at the first Work Session that detailed changes since budget proposal on 05-26-15:  
(Manager Morris discussed these issues with the Board)

- Retirement rates
  - Decrease resulting in an estimated saving of \$23,147
- Vehicle Maintenance
  - Equipment purchases for FY 2015-16 resulting in a savings of \$1,495
- Social Services
  - Additional funding needed for contract works if all new positions are not approved by the Board
  - Elimination of carpet in the budget
  - Need of \$50,000 for overtime and contract positions
- Sheriff's Department
  - Addition of three toughbooks computers left out of the budget
- Governing Body
  - New \$600 Affordable Care Act expense
  - Cancellation of NACO membership
- Tax Office
  - Large copier removed from the budget
- Refinancing of Loans
  - Will be going to Local Government Commission in July
- Proposal requires approximately \$22,967 for the changes

Commissioner Booth questioned if the approval of new DSS positions would not take care of the need for overtime?

DSS Director Stacey Elmes, who was in attendance for the meeting, responded:

- Need overtime to keep things moving while the new positions are filled, could take two months to fill the new positions
- Do not want to go backwards
- Also depends on how many new positions are added
- New positions will save approximately \$43,000 county dollars

Vice Chairman Walker confirmed with Manager Morris that if the two requested DSS positions not recommended by the him were approved, the savings would increase to approximately \$49,000.

Vice Chairman Walker questioned the manager why he did not recommend the two other positions requested by DSS Director Elmes, especially with the additional savings?

County Manager Morris responded:

- Discussed with Director Elmes and decided to do what was absolutely needed this year, just to get by this year

The Board discussed the pros and cons of contract versus full time positions in DSS with Director Elmes.

County Manager Morris provided the Board the requested information regarding starting salaries for EMT Paramedic and EMT Intermediate.

County Manager Morris discussed the information with the Board.

County Manager Morris commented:

- You will need to compare benefits, hours, etc. to make a true comparison
- What we have given you, is only starting salaries, not what an employee actually is offered to come
- Almost every employee tells the Clerk during their exit interview that money is the reason for leaving

Chairman Jones questioned what direction the Board would like to take?

Chairman Jones noted that it looked like this meeting would have to be recessed.

Commissioner Inman suggested Monday, June 22<sup>nd</sup> at 3:00 pm before the regular scheduled meeting.

Commissioner Lankford commented:

- Did not have a lot of comments at yesterday's work session
- Would like to make a few comments/recommendations regarding the manager's recommended budget
- Manager Morris's budget message clearly states that the County is facing a revenue problem, not a spending problem
- I see it a little different – I see a spending problem, not totally a revenue problem
- I have went through each budget, page by page, line by line
- Have these questions/concerns/issues that were recommended in the Budget
  - The number of EMT Intermediates currently employed by Stokes EMS
  - Confirmed with Manager Morris that the Fire Marshal's budget is being separate as an individual department again – no longer under the Sheriff
  - Reclassification of the Fire Marshal to Fire Marshal/Paramedic could be reviewed if the current Fire Marshal ever decided to leave
- Legal fees of \$10,000 – recommend implementing over the next three years
- Legal fees in DSS have increased \$15,000 – recommend implementing over the next three years
- DSS Vehicles – recommend only purchasing the van
- Fire Marshal – recommend no new truck for the Fire Marshal
- DSS – recommend only three new positions

- If NCFAS<sup>T</sup> ever gets to working properly, don't know why we need to continue to approve new positions
- EMS/E911/Jail/Sheriff's Department – Three-grade increases – Recommend implementing over the next three years
  - Employee effected:
    - EMS – 33 people
    - Sheriff's Department = 45 people
    - E911 = 12 people
    - Jail = 14 people
    - Total of 103 positions
    - Total cost \$154,000
- Recommend give the other 195 employees a 2% COLA which would cost approximately \$146,000
- This would add \$146,000 more to the recommended budget, but only add approximately \$300,000 for this fiscal year (includes one year of the three-grade increases)
- Allocate additional \$100,000 for school capital projects
- Fire Tax – approve the requested one and one-half cents with implementation of 50 cents each year for the next three years
- Would implement the three grade increases over the next three budget years, that way department heads would know this is a guaranteed thing which is important to let people know that they are going to get it in phases
- Projected Revenues that I have identified through many ways:
  - Refinancing three loans = \$200,000
  - Sales taxes from the state at an 80/20 = \$222,285
  - Collection rate at 96.97% = \$194,000
  - Sales tax growth = \$275,000
  - Total of \$891,285
- Savings from the identified areas mentioned:
  - Legal Services = \$8,500
  - Social Services (two cars) = \$14,793
  - Social Services (two employees) = \$70,000
  - Health Department (two employees) = \$70,000
  - Fire Service = \$100,000
  - Total of \$263,093
- Adding the potential savings and revenues = \$1,154,378
- Take the \$1,154,378 and look at it on a two-year basis, you would have to take approximately \$2 million out of Fund Balance
- Believe at this point and time, the Fund Balance can stand a reduction of \$2 million

Vice Chairman Walker commented:

- Social Services is hit pretty hard in your recommendation as has been done in previous years
- With the reduction of the two positions, would you not have to put back contract dollars?

Commissioner Lankford responded:

- You have to project that things will get better with efficiency in the new system

Vice Chairman Walker noted the information provided by Manager Morris earlier in the meeting about the need for additional funding to keep the contract workers and continuing to pay overtime.

Commissioner Lankford responded:

- That is something that you will have to see as the year continues, you will always have turnover
- My recommendation is what I, as one commissioner, believes the budget needs to be
- That is my recommendation

Commissioner Booth confirmed with Commissioner Lankford that with his recommendation, there would be no tax increase.

Vice Chairman Walker commented:

- When you say no tax increase and you are taking \$2 million out of the Fund Balance, how do you explain that?

Commissioner Lankford responded:

- The same way it was explained last year

Vice Chairman Walker continued:

- That is simply a deferred tax increase
- Balancing the budget with the Fund Balance, those funds are going to have to come from somewhere, you only have so much in the Fund Balance

Commissioner Lankford responded:

- Provided revenue projections that will probably be coming down the pike
- Feel revenues are going to be better
- That is my recommendation

Vice Chairman Walker continued:

- Would be nice to phase in somethings over a three-year period
- With the exceptions of jailers, we would still be below every county that was provided by Manager Morris
- Why would individuals want to wait for three years to get the full amount, when they can go to a county next door and get it now?
- We sat here last year, I thing Commissioner Inman and I arrived at pretty much the same conclusion – given the best information that we had to work with last year, we were looking at a potential (over two years) of a 19 cent tax increase if nothing were taken out of the Fund Balance

- Since then, it has come down to approximately 15 cents (something in that range) if balancing the budget was done with tax increases
- I did not take any pleasure at all reading in the paper that I was comfortable raising taxes 5 cents
- Been a local government official, in some capacity, for 20+ years
- I don't like tax increases, I have battled them every way I could
- Have resisted tax increases as much as anyone
- We are heavily taxed
- Taxed at local, state, and federal levels
- There comes a time when a responsible person can look at a situation and say without taking certain steps, are we really being fair to all involved?
- To get the taxes down from the twenty cent range, hopefully down to the five cent range, will take some of the measures that Commissioner Lankford offered
- It may take more cutting next year
- If we make it hard for our Sheriff to hire qualified deputies, that potentially affects the service that he can offer to our citizens
- Know of one governmental unit in the area that made some bad hires and they had some embarrassing situations
- Don't want to see our Sheriff and our county go through that situation
- Support the Sheriff and how he is doing his job
- If he says, in good faith, after doing his due diligence, that he needs competitive salaries to put the kind of deputies that we need in Stokes County, I believe him
- Not sure one grade this year will help him

Commissioner Inman commented:

- Right now, I could go with Commissioner Lankford's phase in for the fire tax, don't think any of the fire departments are in a critical position
- May have a recommendation later on in this meeting

Chairman Jones noted she could agree with the phase in regarding the fire tax.

Vice Chairman Walker commented:

- Not convinced that the phase in approach for the emergency services department as recommended by Manager Morris will solve the problem
- One of the easiest way to get in trouble with a budget, that I have learned, is to over project revenues
- Look at the bullet we have dodged with the QZABonds and QSCBonds recently and I hope it continues
- With Commissioner Lankford's recommendation, seems there still might need to be a tax increase next year, if a substantial amount is not taken out of the Fund Balance

County Manager Morris commented:

- Very leery of making projections for next year
- Lot of effort put into the recommendation presented to you
- Tried to make the best estimates possibly with the cost estimates

- There are so many unknowns right now
- Even with the six-cent tax increase projection, there still could be the need for a tax increase next year
- Do not have high confidence in making projections for next year with so many unknowns

Commissioner Booth commented:

- Confirmed with County Manager Morris that the estimated cost for the recommended three-grade salary increase for four departments was \$540,000
- Confirmed with Finance Director Edwards that if there was no tax increase with the manager's recommended budget and to balance the budget, it all came from the Fund Balance, the projected Fund Balance at the end of FY 2015-16 would 23%
- Confirmed with Finance Director Edwards that next year, if the same configuration was done, the Fund Balance would be 15.6% at the end of FY 2016-17
- Last year, if everyone remembers, we were having trouble with approving COLA
- As I recall, Manager Morris noted budget time last year, there would be no COLA or salary increases for this year's budget

County Manager Morris noted that was his point about making year to year projections.

Commissioner Booth continued:

- Don't like the idea of raising some salaries and not others
- Like Commissioner Lankford's recommendation to phase in the three-grade increases and provide a COLA
- Talked to Representative Holloway yesterday regarding the Sales Tax, he says it may take the State until October to get a budget – the House and Senate are so far apart right now
- A budget is a projection

Commissioner Lankford noted the new businesses that have recently come to the county along with some potential new businesses coming to the county.

Commissioner Booth noted the Walmart that is coming to King.

Commissioner Booth reiterated that he liked the phase in recommended by Commissioner Lankford regarding the three-grade increases.

County Manager Morris commented:

- Will not work
- Will not be enough to bring new people to Stokes County
- Have evidence, did not raise the part time enough last year, individuals kept going to other counties to make more money (emergency services departments)
- Must do it all to make a difference

Commissioner Booth commented:

- Would like to mention some new revenues possibly coming in
  - Revaluation
  - Walmart
  - Sales Tax Bill if approved

Commissioner Inman commented:

- As I have said before, a budget is a projection
- You can control expense
- Think everything we are dealing with is out of our control
- This county depends heavily on Ad Valorem tax collection
- Foreclosures are up in the our area (over last year) of Stokes, Yadkin, Davie and Forsyth as reported in today's newspaper
- Not sure the revaluation will give us back the 5% that was lost in the last revaluation
- Sales Tax Fairness Act is the "game changer"
- Medicaid is a big issue in Raleigh right now
- Lot of moving parts right now
- According to Local Government Commission, the average Fund Balance for counties (population 25,000 to 50,000) for 2014 was 29.78%
- This average is one thing that the Local Government Commission looks at when the County wants to borrow funding for financing projects like new schools
- Looked at surrounding Ad Valorem tax rates:
  - Stokes = 64 cents
  - Surry = 58 cents
  - Rockingham = 69.6 cents
  - Yadkin = 66 cents
- Talk in Raleigh is that the Governor will probably veto the Sales Tax Fairness Act
- Right now I am somewhere in between the recommendations that have been placed on the table

Vice Chairman Walker noted the 29.78% average Fund Balance for like-sized counties for 2014.

Commissioner Booth confirmed with Finance Director Edwards that the undesignated Fund Balance at the end of June 30, 2014 was 26.5%

Chairman Jones commented:

- I am using my "what is known" and what is not known" in my projections
- In two years, we will be looking at a very different landscape
- I am not micromanaging and put faith in who we have hired to give us a recommendation of what this county needs
- Been told for years by the county manager that we are heading toward a train wreck



- In his budget message, he noted the six-cent tax increase was required not a recommendation to support the Fund Balance
- He recommended a 1.5 cent tax increase for the fire districts
- He noted the four cent tax increase four years ago was strictly for school construction/renovation
- No tax increase just for Ad Valorem has been in ten years; however, was a two-cent decrease that went unnoticed
- Currently running on a rate much lower than the seventies
- Cost of doing business is increased 1.5% annually
- Our budget is \$8 million below like counties
- Turnover rate well over 20% mainly because of noncompetitive salaries
- Turnover rate is very costly
- Morale is down
- Have a lot to be proud that has been accomplished
- Have things coming down the pipeline within the next two year
- But until then, we need to do what is fiscally sound
- Recommending a four-cent tax increase at a collection rate of 96.97%. \$.75 addition to the fire tax, additional \$100,000 for school capital needs
- Asked that we all do what is necessary to get through the next two years to protect our Fund Balance
- Want what is best to keep our county stable
- Not going to make revenue projections

Chairman Jones made the motion to accept the manager's recommended budget with the following changes: a four-cent tax increase at a collection rate of 96.97%. \$.75 addition to the fire tax, additional \$100,000 for school capital needs, \$50,000 for DSS overtime and contract with the effective date for the three-grade increase to be 07-18-2015. Vice Chairman Walker seconded the motion.

Chairman Jones opened the floor for discussion.

Vice Chairman Walker commented:

- Really think five cents is closer to what we need to reduce the chance of another tax increase next year or the next
- Wanted a minimum of a one-cent tax increase for the fire districts
- Willing to go with the recommendation if that is what it takes to get a budget for FY 2015-16
- Compliment the manager and the staff for a good recommended budget
- Do not want to do something that affects the current level of services to the citizens
- As the manager spoke, to continue to operate like we are currently operating, it is going to take more revenue

- Will go with Chairman Jones' recommendation
- May use a little more Fund Balance

Chairman Jones called the question.

The motion failed (2-3) with Commissioner Inman, Commissioner Lankford, and Commissioner Booth voting against the motion.

Chairman Jones noted "back to the drawing board".

Chairman Jones opened the floor for any further discussion.

Commissioner Inman noted that he needed more information before making a motion and that he was considering some other options.

Commissioner Inman continued comments:

- Currently on board with a phase in for the fire tax increase
- Right now, I am between 62 cents and 63 cents Ad Valorem tax rate

Vice Chairman Walker comments:

- Not going to be in favor of increasing taxes two years in a row
- Do what is needed this year
- Still have to keep in mind the manager's recommendation of six-cent tax increase
- Want to be fair to the citizens and to the staff
- Can I go below a four-cent tax increase right now, will have to be convinced
- Need more funds coming in now instead of grabbing more out of the Fund Balance
- Looks like we have some work to do

The Board discussed recessing today's Budget Work Session.

### **Adjournment**

There being no further business to come before the Board, Chairman Jones recessed today's Budget Work Session to Monday, June 22, 2015 at 3:00 pm.

---

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

---

**Ronda Jones**  
**Chairman**