

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 22, 2015

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Recessed Budget Work Session (recessed from the June 19, 2015 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 Monday, June 22, 2015 at 3:00 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 Bullins
Finance Director Julia Edwards

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

Budget Work Session

Chairman Jones opened the floor for discussion.

County Manager Rick Morris commented:

- Provided information about the impact on the Tax Department if the Board chose to adopt an Interim Budget
- The last hired Animal Control Officer resigned today – that position is recommended in the proposed budget for reclassification
- Would like for the Board to consider the reclassification
- That makes the total terminations at 108 or 27% turnover rate for full/part time employees this fiscal year (20% turnover rate for just full time employees)

Chairman Jones commented:

- Information provided by County Manager Morris has a lot of negatives with adopting an interim budget

Vice Chairman Walker commented:

- A motion for a four-cent tax increase to the recommended budget was voted down at the last meeting (Chairman Jones and I voted for the motion)
- Have heard Commissioner Lankford's version of a budget which phases in the recommendation for the three-grade increase for emergency services departments over three years
- Have heard Commissioner Booth's recommendation
- Have not heard Commissioner Inman recommendation

Commissioner Inman commented:

- First and foremost, none of us like to do a tax increase
- Not many people will be excited to have a tax increase
- Feel this Board is charged with two very important tasks:
 - Keep the taxpayers in mind when considering a tax increase and minimize the increase as much as possible along with understanding the income losses from the tobacco buyout so that we don't create an unnecessary burden on the households in our county
 - Charged with sometimes the unenviable task of keeping this county fiscally responsible in the financial arena
- When I took office in 2002, the County was definitely broke
- This Board, along with previous Boards since 2002, have done a great job increasing the Fund Balance to where it is today
- Don't want to lower our Bond Rating
- Have done good positive things for our county – schools, EMS station, upcoming community college, etc.
- Feel the citizens are getting a very good value for their tax dollar
- Continued to support Economic Development
- Have a two-year bridge to get to 2017-18
- Possible new revenue from the Tax Fairness Tax – if approved – significant new revenue in 2017-18 (estimated amount \$2 million)
- This could potentially restore the Hold Harmless revenue that has been lost
- House and Senate have a lot of work to do
- Have worked with Finance Director Edwards and could possibly consider a two-cent Ad Valorem tax increase along with phasing a 50 cent fire tax over the next three years
- Feel this could get us to 2017-18
- If the Tax Fairness Act doesn't happen, it is a moot point
- Have identified approximately \$900,000 from sales tax growth with a 96.97% collection rate
- Have spoken to Tax Administrator Oakley who confirmed a 96.97% collection rate was doable which would bring in approximately \$195,413
- State Fairness Act, if approved, would bring in an estimated \$222,000
- Must remember, revenues in every budget are projections
- Expense side is the only one that you can control

- With the projections given by Finance Director Edwards, at the end of FY 2015-16 the Fund Balance would be approximately 26% (\$11,129,876) with a two- cent tax increase
- At the end of Fiscal Year 2016-17, the Fund Balance would be approximately 25% (\$11,506,000) with the two-cent tax increase
- This would not jeopardize any planned projects and would minimize the tax increase to the citizens
- This is where I am right now

Vice Chairman Walker commented:

- Concerned about a budget that relies on future revenue that we could or could not get
- This recommended budget, by my calculations, has about a nine-cent deficiency
- If no funding was taken out of Fund Balance, it would take nine cents to balance the recommended budget
- Go from nine cents to two cents is a very big shift
- No guarantee where the economy is going
- Even if the Tax Fairness Act passes, it will be implemented over the next five years
- Considering options right now, willing to vote for a four-cent tax increase which may not be enough
- Manager Morris works with the budget on a daily basis and he has recommended a six-cent tax increase
- Would consider a one-cent fire tax
- Feel like we have somewhat created the impression among the folks involved with the fire departments that a one and one-half cent fire tax would be considered this year
- Attended a meeting on Saturday, asked how people at that meeting felt regarding how the county was currently operating
- The answer I got was that people are comfortable with how the county is operating to me; that was useful information to me
- I mentioned to keep the county operating as it is today, there would have to be new revenues; I got no pushbacks regarding a tax increase
- Right now, I am trying to fit the pieces together to see how a two-cent tax increase would fix the problem
- I had rather come back next year and lower the taxes instead of having to increase the taxes again next year
- I would like to look at an increase this year that would work and not have to come back next year with another tax increase

Commissioner Inman responded:

- For clarification: estimated \$222,000 from the Tax Fairness Act in FY 2015-16 and \$377,000 from the Tax Fairness Act in FY 2016-17 are the only projected dollars; the other revenue is almost certain
- My projection is a two-year budget to get the county to FY 2017-18
- If the Tax Fairness Act does not happen, everything changes

- If the Tax Fairness Act does happen, it is estimated that Stokes County will get \$1.97 million in FY 2017-18 and almost \$3 million in FY 2018-19 and \$3.7 million in FY 2019-20

Vice Chairman Walker continued:

- County Manager Morris is the County's Budget Officer
- Would like to know what our Budget Officer thinks about the two-cent tax increase in regards to stabilizing things in the County and getting the County in shape for the next two years

County Manager Morris responded:

- My bottom line is having enough revenue to purchase the minimal supplies and equipment needed to operate the county (can be a combination of tax increase and Fund Balance)
- There is a direct relationship in what you do this year and next year
- Any combination of tax increase and Fund Balance will work this year
- Not prepared to make a bunch of real precise projections of what you will get next year
- Projections for next year are based on my recommended budget this year
- Must keep the County financially sound
- Must look at the turnover rate – can't keep going with the high turnover rate
- Biggest enemy in a program working successfully is instability which can be a lot things
- The high turnover rate is one component that makes the program unstable
- This makes you in a reactive mode instead of a proactive mode
- We need program stability

Vice Chairman Walker continued:

- You recommended a six-cent tax increase
- Chairman Jones and I are ready to go with a four-cent tax increase; others are willing to go with a two-cent tax increase
- Would like to hear Manager Morris' comments on why he needed a six-cent tax increase

County Manager Morris responded:

- When I started, my projections included \$1 million from the Fund Balance this year and \$1 million next year
- When we got closer to the end of the year, Finance Director Edwards did some projections that revealed a possible \$600,000 that could possibly fall back into Fund Balance which could decrease what could to be taken out of the Fund Balance next year
- With that potential additional revenue, it doesn't have to be six cents, it could be lower
- I don't make projections until I know what the number will be
- Trying to prevent another tax increase next year with the recommended six-cent tax increase

Chairman Jones commented:

- Just want to clarify that with my motion that failed, the fire tax would be phased in

Vice Chairman Walker commented:

- Commissioner Inman is at a two-cent tax increase
- County Manager Morris' is saying that a four-cent tax increase might work , but would have to take more from Fund Balance and could not guarantee there might be an increase next year
- With only a two-cent tax increase and taking more out of Fund Balance, it could put the County in a downward spiral
- Right now, comfortable with a four-cent tax increase, not comfortable with only a two-cent tax increase
- At the meeting I mentioned earlier, I had no pushback over the manager's recommended six-cent tax increase
- Feel folks have sensed that there was going to have to be a tax increase by reading the manager's budget messages
- To me, the responsible thing to do is to make an adjustment in the tax rate

Commissioner Inman commented:

- The calculations that I have used are not based on projections that are not going to be there other than revenue estimated from the Tax Fairness Act
- Noted the additional \$800,000 going back into the Fund Balance at the end of this fiscal year
- My projection is a two-year projection
- Whether we do a two-cent or four-cent tax increase, the budget will be balanced, it just depends on how much is taken out of the Fund Balance
- Reiterated the two-cent tax increase minimize the impact on the taxpayers
- Even with the four-cent tax increase and no Tax Fairness Act revenue, you would probably have to increase taxes again next year

Commissioner Inman suggested an increase of one grade for all other employees not recommended by Manager Morris.

Commissioner Inman confirmed with Finance Director Edwards the estimated cost for one-grade for all employees would be approximately \$35,000 per pay period.

The Board discussed an additional \$100,000 for the schools.

Commissioner Inman discussed the possibility of moving the effective date for the three-grade increase for Sheriff's Department, EMS, E911, and Jail further into the fiscal year, not July 1, 2015.

County Manager Morris noted that this justification for the three-grade increase was to try to stabilize the turnover in those departments.

Commissioner Lankford confirmed with Manager Morris that the Sheriff, EMS Director, and E911 Director were included in the three-grade increase.

County Manager Morris noted:

- Three-grade increase included:
 - Sworn officers in the Sheriff's Department
 - Jailers
 - Telecommunicators
 - Credential EMTs

Commissioner Lankford confirmed with Finance Director Edwards that the cost for the three-grade increases is approximately \$42,000 per pay period.

Commissioner Inman commented:

- Understand the turnover issue in those departments recommended by the manager
- Have turnover in other departments as well
- Concerned about employee morale
- Have very loyal employees
- Can't see not giving everyone something, understand the manager's justification for the three-grade increase for those four departments

Commissioner Lankford commented:

- Commissioner Inman's rationale that he has brought to the table makes a lot of sense
- Will not know for sure with the state budget not being approved until possibly October
- Need to consider holding off on the implementation of the grade increases till possibly October 2015 (pay period starts 10-10-15)
- State is only recommending a 2% increase for state employees excluding highway patrol

Commissioner Booth commented:

- Agree with Commissioner Inman that a budget is a projection
- Last thing I want to do is a tax increase
- Could consider a two-cent tax increase
- Can't leave out the other full time employees
- Agree delaying the grade increase until the fourth pay period
- Believe the two-cent tax increase will cover the grade increases
- Could possibly balance the budget this year without a tax increase with taking all the needed funding out of the Fund Balance, but this would bring our Fund Balance down the next year where we don't want it to be

- Believe in two years, there will be additional revenue

Vice Chairman Walker commented:

- Don't want people to think that we are not responsible employers and not trying to do the best we can for our employees
- If we go with the recommendation on the table, our employees would have received 8 raises and 2 bonuses during 5 years
- During extremely hard time, have been trying to do the best for our employees
- Along with that, we are not up with the market to get the quantity and quality needed to operate the County
- We have been responsible employers

Commissioner Inman questioned Vice Chairman Walker regarding the 8 raises and 2 bonuses?

Vice Chairman Walker noted that in his calculations, you have to include the longevity increase that an employee gets each year as a raise.

Commissioner Inman commented:

- Can agree with Vice Chairman Walker that you could possibly consider the longevity a pay increase
- Could probably take the pay for any position in the County and it would not be comparable to today's current market
- Everything continues to increase for every employee – gas, food, housing, etc.

Commissioner Inman moved to approve the County Manager's recommendation budget with adjustments including \$50,000 for DSS (contract and overtime) and increase the Ad Valorem tax rate to \$.62, school fund remains at \$.04 cents, based on a 96.97% collection rate and to include the manager's recommended three-grade pay increase and a one-grade pay increase for all other employees to be effective 10-10-15 and an additional allocation of \$100,000 for the school capital from their sales tax.

Commissioner Lankford seconded the motion.

Chairman Jones opened the floor for discussion

Vice Chairman Walker commented:

- Some components of this budget I can agree with and some I feel are not being responsible enough to reach my comfort zone with the motion the way it is

- I will be forced to vote against the motion

Chairman Jones commented:

- I have a real problem with the 27% turnover rate regardless of full time or part time
- It is not a good situation
- Don't feel the motion on the table will give the County a good buffer for any emergencies
- All projections for the revenues are not for sure
- Feel we are just kicking it down the road a little more
- Don't think it is being fiscally responsible
- Have got to get this county stabilized and move this county forward
- Will not be voting for the motion
- I have agreed to not raise taxes for three or four years when our county manager has told us it was coming
- I don't see anything that is going to happen except a crisis coming up, it is going to hurt just as much next year as this year to raise the taxes
- Felt the four cents would work, couldn't go more than four cents
- I will also be forced to vote against the motion

Commissioner Booth commented:

- Feel those departments the manager recommended for the three-grade increase should be making more than that, but what can we afford?
- Those employees are putting their lives on the line
- Could not leave out the rest of the employee who worked just as hard as anyone else
- Optimistic on what we can further do with the Fund Balance
- Feel the motion regarding the budget made by Commissioner Inman will still allow the County to have a Fund Balance above 20% this fiscal year and next fiscal year
- Tax Fairness Act will really help Stokes County out financially
- Remember Walmart coming in by 2017-18 and other businesses that usually come when a Walmart is built
- Optimistic the next revaluation will get back what was lost in the last revaluation
- Last thing I want to do is a tax increase, but I can see where the two-cent tax increase is needed to maintain the County's Fund Balance and the adjustments made to employees' salaries

Commissioner Inman commented:

- Questioned Vice Chairman Walker if he wished to elaborate on the components of the budget that he could and could not live with?

Vice Chairman Walker responded:

- Do not care to toss out that information
- Have already shared one – delay in EMS Salaries – too far out
- For me to support your motion, I would need time- need to sleep on it
- My motion was four cents to stabilize things and go 7.5% for the fire tax

- We are just too far apart

Commissioner Inman commented:

- If the state budget is approved, don't have a problem with the manager coming back after two-pay periods for further discussion about the implementation of the grade increases

County Manager Rick Morris commented:

- Would like to talk to Sheriff Marshall and EMS Director Collins about what impact the delay might cause
- As of Friday, Life One has been off line for two shifts because of the lack of personnel to run the regular units; supervisor having to work on regular unit
- Stretching it out four months, without an alternate plan, is kind of risky
- Effective with the October pay period; employee will not receive the benefit of the increase until the November pay date

Commissioner Booth commented:

- I think if the people know this is coming in two or three months, I don't think the delay will be an issue
- I even heard it from EMS Director Collins that if they knew it was coming, it would help out

Chairman Jones called the question.

The motion carried (3-2) with Chairman Jones and Vice Chairman Walker voting against the motion.

Fire Tax

Commissioner Inman moved to increase the fire tax by ½ cent for FY 2015-16 and at ½ cent for the next two budget years for King Fire District, Walnut Cove Fire District, Rural Hall Fire District, and the Service District. Commissioner Booth seconded and the motion carried (4-1) with Vice Chairman Walker voting against the motion.

Adjournment

There being no further business to come before the Board, Chairman Jones recessed the Budget Work Session to Monday, June 29, 2015 at 10:00 am.

Darlene M. Bullins
Clerk to the Board

Ronda Jones
Chairman