

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
MARCH 21, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Goals/Budget Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Monday, March 21, 2016 at 1:00 pm with the following members present:

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

Commissioner Ronda Jones - absent

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

Chairman Inman called the meeting to order and welcomed those in attendance today.

Chairman Inman noted that Commissioner Jones would not be attending today's work session.

INVOCATION

Chairman Inman invited those who wished to join in the invocation to please do so.

Chairman Inman delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Inman invited the citizens in attendance to join the Board in the Pledge of Allegiance.

GENERAL GOVERNMENT – GOVERNING BODY – APPROVAL OF AGENDA

Chairman Inman entertained a motion to approve or amend the March 21st and 22nd Agenda.

Vice Chairman Booth moved to approve the March 21st and 22nd Agenda as presented.

Commissioner Lankford seconded and the motion carried (4-0) with Commissioner Jones absent.

Presentation – Budget Status for the County

Chairman Inman noted there would be open discussion during the work session.

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

County Manager Rick Morris commented:

- Provided the Board with an updated five-year capital needs plan for County Departments that will be discussed at tomorrow's work session (Stokes County Schools is still working on their five-year capital needs plan)
- Finance Director Julia Edwards will be discussing handouts provided to the Board at today's work session

Finance Director Julia Edwards briefly reviewed the following:

- Budget Execution Review
- Revenues – As of 02-29-2016
 - Should be 66.67% collected
 - Sales tax is down due to revenue data only reflects six months instead of eight months
 - Social Services and Health Departments are always behind one month
 - Ad Valorem Taxes are 90.70% collected
 - Sales taxes are 54.60% collected
 - Social Services revenues are 51.88% collected
 - Day Care is 66.77% collected
 - Revenues seemed to be coming in on schedule and on target
 - Medical Relief Hold Harmless came in at approximately \$800,000+ this week
 - Total revenues collected 67.38%
- Expenditures – As of 02-29-2016
 - Should be 33.33% available
 - Expenditures are on target

Commissioner Walker commented:

- Expressed concerns that the Governing Body Budget includes other items that are not specifically just for the Governing Body
- Almost wish there could be some separate categories

- Confirmed with Finance Director Edwards that items such as insurance (property, liability, worker's compensation) along with the Health Reimbursement Account are budgeted in Governing Body and could be separated if desired by the Board

Commissioner Lankford questioned why the need to separate accounts and who was the Board trying to please?

Commissioner Walker responded:

- Everyone – our citizens
- See a lot of the things in the Governing Body Budget as being administrative instead of Governing Body

Commissioner Lankford commented:

- Would like to see it kept the way it is
- People are used to those items being in the Governing Body Budget
- The items are self-explanatory

Chairman Inman commented:

- See both sides
- Administration is the county manager and clerk

The Board discussed items included in the Governing Body Budget.

County Manager Morris noted it could be separated in the upcoming FY 2016-17 Budget if desired by the Board.

Finance Director Edwards continued:

- Sales Tax Report (thru January 2016)
- General Fund - \$85,531.07 over what was collected last year
- Total of all Sales Tax is \$136,401 over what was collected last year
- Will not be able to see the first payment until June from the new sales tax that was effective March 1, 2016 (sales tax on services)
- NCACC projects Stokes County will receive approximately \$43,000 more in FY 2015-16
- NCACC projects Stokes County will receive approximately \$1,533,000 more in FY 2016-17
- NCACC projects Stokes County will receive approximately \$1,585,000 more in FY 2017-18
- NCACC projects Stokes County will receive approximately \$1,629,000 more in FY 2018-19
- Additional sales tax has to be spent on public education, economic development, or community college

The Board discussed the new Sales Tax which was effective March 1, 2016 along with the NCACC projections.

County Manager Morris noted that municipalities would also be receiving additional sales tax revenue which will also have to be used on public education, economic development or community college.

Budget Areas for Board of County Commissioners to Consider and Possible Guidance

County Manager Rick Morris presented the Board with the following areas for the Board to consider with possible guidance:

- How should the County budget sales tax given the changes in the Law?
- How should the County budget sales tax for private entities such as Walmart?
- What is the minimum acceptable level of General Fund Balance during the next two fiscal years?
- Is ½ cent the limit on fire tax increase?
- Will County continue to fund 100% of employees' insurance premiums?
- Will salary increases be on the table to reduce turnover of county personnel?
- What are the BOCC's thoughts on current expense given the decline of ADM in the School System?
- What are the BOCC's thoughts on capital spending for the School System beyond the roof replacement currently underway at Chestnut Grove Middle School (school's five-year capital plan still being developed)?
- What are the BOCC's thoughts on property tax increases?
- Should the County continue to fund outside agencies at historical levels?
- Is the BOCC willing to add additional debt to fund capital needs of the County and the School System?
- What are the BOCC's thoughts on remaining items contained in the Economic Development Assessment & Planning Committee recommendation?
- Would BOCC like to include increased fees for services (ambulance, inspection fees, etc.)?
- Are there County services the BOCC would like to reduce or eliminate to cut costs?

County Manager Morris continued:

- The items for consideration can be discussed during the next three scheduled Goals/Budget Work Sessions
- Can add other items to the list if needed

County Manager Morris briefly discussed each consideration:

- How should the County budget sales tax given the changes in the Law?
 - Get lots of state projections – don't use a lot of the projections – too liberal
 - Not comfortable budgeting the projected \$1.5 million additional sales tax

- Try to always budget conservative

Chairman Inman commented:

- Do not believe there will be that many services in Stokes County to generate the projected \$1.5 million additional sales tax in FY 2016-17
- Would not be comfortable budgeting all the projected \$1.5 million in the FY 2016-17 Budget

Commissioner Walker agreed with Manager Morris and Chairman Inman regarding not being comfortable budgeting the projected \$1.5 million for FY 2016-17.

County Manager Morris continued:

- How should we budget sales tax for private entities such as Walmart?
 - Would want to also budget sales tax conservatively coming from Walmart
 - Do not believe there will be very much in FY 2016-17

Commissioner Walker noted there might be additional businesses coming to King with Walmart.

Commissioner Lankford suggested not budgeting anything regarding sales tax revenue from Walmart in FY 2016-17 budget.

Vice Chairman Booth commented:

- Prediction is that Walmart will be opened by Black Friday in November this year
- Think there could be some revenue budgeted for FY 2016-17

Commissioner Walker commented:

- Seeing one after the other doom and gloom projections about the economy for next year
- Projected to be worse than 1929
- Gas prices are going back up again
- Got a lot to consider with the upcoming FY 2016-17 budget

Vice Chairman Booth noted the FY 2016-17 budget has to be conservative.

The Board discussed the current economy and projections for few next years.

County Manager Morris commented:

- What is the minimum acceptable level of General Fund Balance during the next two fiscal years?
- Is ½ cent the limit on fire tax increase?
 - Met with Clifford Hall – Fire Commissioner, this morning
 - The Fire Service District definitely needs more than ½ cent for FY 2016-17

Commissioner Lankford commented:

- Don't know if I can support ½ cent fire tax increase this year

Commissioner Walker commented:

- If my memory is correct, it was promised and approved last year for ½ cent for three years

Commissioner Lankford responded:

- Did not say which three years

County Manager Morris continued:

- Will the County continue to fund 100% of employees' insurance premiums?
- Will salary increases be on the table to reduce turnover of county personnel?
- What are the BOCC's thoughts on current expense given the decline of ADM in the School System?
- What are the BOCC's thoughts on capital spending for the School System beyond the roof replacement currently underway at Chestnut Grove Middle School (school's five-year capital plan still being developed)?

Vice Chairman Booth confirmed with Manager Morris that the Project Ordinance approved the entire roofing project for Chestnut Grove Middle School.

County Manager Morris commented:

- The Board of Education will still submit a capital request for FY 2016-17
- It will be left up to the Board of Commissioners if additional funding is allocated for FY 2016-17

The Board discussed the funding for the roof replacement at Chestnut Grove Middle School which was allocated from the 4 cent tax Fund Balance, funding came from debt being retired and placed in the 4 cent Fund Balance – not the 4 cent tax for school construction/renovations.

Vice Chairman Booth confirmed with Finance Director Edwards that the only funding allocated from the 4 cent Fund Balance is funding that has been transferred from the General Fund when debt is retired (approximately \$3.6 million was available before allocation for roof project was done).

The Board discussed the 4 cent tax fund being designated for schools along with school

debt retiring in FY 2017-18.

Finance Director Julia Edwards commented:

- \$1 million of the retiring debt is school sales tax that will have to be used for school capital outlay
- Only about \$200,000 is being paid from General Fund on that debt that will be retiring in FY 2017-18

County Manager Morris noted that once the original debt from the 4 cent tax fund is retired, the Board will have to redefine the purpose of the tax.

County Manager Morris continued the list of considerations:

- What are the BOCC's thoughts on property tax increases?
- Should the County continue to fund outside agencies at historical levels?
- Is the BOCC willing to add additional debt to fund capital needs of the County and the School System?
- What are the BOCC's thoughts on remaining items contained in the Economic Development Assessment & Planning Committee recommendation?
- Would BOCC like to include increased fees for services (ambulance, inspection fees, etc.)?

County Manager Rick Morris presented the following information regarding an Environmental Health Septic Application Backlog Solution Proposal prepared by Environmental Health Supervisor Leslie Easter:

- Problems
 - Septic system application backlog
 - Duplicate visits to sites
 - Customer complaints and frustration
- Background
 - Environmental Health Office responsible for carrying 8 state mandated programs:
 - On-site wastewater disposal
 - Food, lodging, and institutions
 - Private drinking water wells
 - Childcare and school sanitation
 - Public swimming pools
 - Tattoo artists
 - Childhood lead poisoning prevention
 - Migrant housing
 - Meth lab cleanup documentation and follow-up as well as NC Smoking Ban response and enforcement have been added to the list of responsibilities

- Staff
 - Processing Clerk
 - Office duties = 100%
 - Environmental Health Supervisor
 - Administration = 25%
 - On-site wastewater =28%
 - Wells and water samples = 15%
 - Food, lodging – 28%
 - Swimming pool inspections = 2%
 - Tattoo artist inspections =1%
 - Other = 1%
 - Environmental Health Specialist
 - On-site wastewater = 80%
 - Wells and water samples = 12%
 - Childcare and school inspections = 5%
 - Food, lodging = 2%
 - Childhood lead poisoning prevention = -1%
 - Environmental Health Specialist
 - Food, lodging = 82%
 - Wells and water samples = 5%
 - Childcare and school inspections = 5%
 - On-site wastewater = 5%
 - Public Swimming Pools = 2%
 - Tattoo artists permits and inspections = 1%
- Full time Employee Equivalents
 - On-site wastewater = 113%
 - Food, Lodging & inspections = 112%
 - Wells/Water Sampling = 32%
- Data
 - Certain soils (Saprolite) in which Environmental Health is prohibited (per state rules) from approving with the use of only hand augers
 - If saprolite is encountered with a hand auger within the top 30” one of the following must occur
 - Require backhoe pits for further evaluation or deny the septic permit for the site
 - From 07-01-15 to 03-08-16, the department has evaluated 99 sites for the purpose of permitting new construction septic systems
 - Of those 99 evaluations, 72 have required backhoe pits (72.2%) which means repeat visits to the site
- Interpretation
 - Problems
 - Small field staff
 - Challenging soils in Stokes County
- Solution
 - Require or allow an incentive for customers to schedule a backhoe for the initial septic evaluation
 - Average price for backhoe pits is between \$250-\$300

- Current residential soil evaluation (improvement permit) is \$150
- Proposal is to reduce the fee to \$100 if the applicant provides a backhoe and operator for the initial septic evaluation
- If it is made mandatory, the backlog of applications will be drastically reduced to most likely a 10-day turnaround (will also reduce vehicle and fuel expenses, maximize staff time productivity and better service to citizens without additional staff)
- Incentive will allow the citizen to choose when making the initial application

County Manager Morris requested Board members review for discussion at the next work session scheduled for Tuesday, March 22nd.

County Manager Morris continued:

- Are there County services the BOCC would like to reduce or eliminate to cut costs?

Commissioner Walker commented:

- Do not feel that I can answer a lot of the manager's questions until I actually see the recommended budget
- Will have to have more information before I can start to process these types of questions

County Manager Morris responded:

- Will be meeting with department heads before the scheduled goal/budget meetings in April
- Could possibly have more information for the last two meetings

Chairman Inman responded:

- As far as the Fund Balance, I could go to 20%, currently at approximately 25%

Commissioner Lankford responded:

- Could go with 20% as noted by Chairman Inman, but would like to try to stay around 22%

Commissioner Walker responded:

- Confirmed with Finance Director Edwards that there is very little revenue coming from investments
- Would like to see if there was a way to take a small amount of the Fund Balance and invest in Stokes County and hopefully get a return on the dollars
- Challenge the manager and others during this budget process to look to see if there are ways to invest funds in our County to get a better return than what we are currently getting from investments
- Owe it to think outside the box

Chairman Inman commented:

- Understand what Commissioner Walker is saying and agree, but must look at the Local Government Commission's restrictions on investments

Finance Director Edwards responded:

- Local Government Commission restricts how funding can be invested

Finance Director Edwards discussed how funding is currently being invested (very low interest rating and very low return).

Commissioner Walker suggested looking at investing in tourism/economic development.

Commissioner Walker requested to at least look at investing in Stokes County.

Commissioner Walker requested Finance Director Edwards obtain information about Local Government Commission's restrictions on investing funds.

Commissioner Lankford commented:

- Believe the County is doing an adequate job promoting tourism
- Don't see that any additional spending is needed

Commissioner Walker responded:

- Not everyone agrees with Commissioner Lankford's comment about no additional funding is needed for tourism

Commissioner Lankford responded:

- There are a lot of different opinions regarding tourism

The Board discussed tourism revenue and trying to find out how much return is coming from dollars already being spent on tourism.

Vice Chairman Booth commented:

- Not willing to go below 20%
- Need that sound Fund Balance for future projects – financing of the community college and possible jail expansion
- Board has worked hard building the Fund Balance to its current rate

The Board discussed the NC Connect Bond that will provide funding to Hanging Rock State Park for Vade Mecum and Forsyth Tech Community College for a possible addition at the community college site in Meadows.

Chairman Inman opened discussion regarding the County continuing to pay 100% of the

employees' health and dental insurance premiums for FY 2016-17

Chairman Inman commented:

- Would like to see the County continue to pay 100% of the employees' health and dental premiums unless there is a tremendous increase this year
- Not sure what can be done this year regarding employees' salaries

Commissioner Walker commented:

- Wondering if there are people on the plan, who may have other coverage, just because it is free?

Clerk Darlene Bullins responded:

- Do not feel the county has many employees in that situation, could be a few
- Do have a few employees who waive coverage due to being on a spouse's plan
- Affordable Care Act has changed the insurance world drastically

County Manager Morris responded:

- A reduction in benefits is not going to help the turnover rate

Commissioner Walker continued:

- Can't compete with the surrounding urban counties in salaries, but can try to do as much as we can regarding benefits
- Agree to try to continue paying 100% of the employee health insurance premiums if possible
- It is worse to give someone something and then take it away than to never have given someone something at all

Commissioner Lankford commented:

- Feel paying the 100% premium is an incentive for recruiting and retaining employees

Vice Chairman Booth questioned when would there be information regarding the premiums for FY 2016-17?

Clerk Bullins responded:

- County's insurance broker is bidding out the health insurance
- Should know within the next few weeks, probably first of April
- Trend for BCBS last year was 8%, this year BCBS's trend is 15%

The Board discussed most surrounding counties and industries who do not pay 100% health insurance premiums for employees.

Vice Chairman Booth noted that he agreed trying to keep paying 100% health

insurance premiums for employees if possible.

Chairman Inman commented:

- Will need to look at the entire budget before making any comments regarding salary increases

The entire Board (Commissioner Walker, Commissioner Lankford, and Vice Chairman Booth) agreed with Chairman Inman regarding salary increases.

Commissioner Walker commented:

- Will rely heavily on the County Manager's recommendation regarding salary increases

Chairman Inman opened the discussion regarding the BOCC's thoughts on current expense given the decline of ADM in the School System.

Chairman Inman commented:

- As the ADM decreases and the county's allocations remains the same, the per pupil expenditure increases

The Board discussed surrounding counties' ADM funding

Finance Director Edwards noted that she would have detailed information regarding ADM funding at tomorrow's work session.

Chairman Inman commented:

- Can't undo what was not done in 30-40 years in just 10-12 years
- County was not in the position to build new schools until several years ago

The Board discussed the recent school construction projects that have been completed over the past few years (Nancy Reynolds, Poplar Springs, Southeastern Middle School, Lawsonville) and the new community college to be opened this fall.

Chairman Inman opened discussion regarding a possible tax increase.

Commissioner Lankford commented:

- No tax increase

Vice Chairman Booth commented:

- No tax increase

Chairman Inman commented:

- No tax increase unless absolutely have too

Commissioner Walker commented:

- On my political handouts, “try to maintain the lowest tax rate we reasonably can”
- Have to hear the recommended budget before making any statement regarding tax increases
- Only increased a minimal amount last year
- Generally speaking, opposed to tax increases just as much as everyone
- Will not walk away from something that has to be done to be fair to county employees, to be fair the county’s needs, and to be fair to the citizens in the long run who have expectations from the county

Chairman Inman opened discussion regarding funding to outside agencies.

Commissioner Walker commented:

- Would like to see what other surrounding counties are doing with outside agencies funding

Chairman Inman commented:

- Would like to look at each agency individually and evaluate the services that are being provided

The Board discussed the transportation being provided by YVEDDI and JDCruise.

Commissioner Walker commented:

- Agree with Chairman Inman to look at the each agency individually and evaluate services

Commissioner Lankford commented:

- Would support keeping as is with the upcoming budget with no increases

Commissioner Walker responded:

- Would agree with Commissioner Lankford unless something unusual is submitted

Vice Chairman Booth responded:

- Most of the outside agencies stay the same
- Evaluate each request as usual

Chairman Inman opened discussion regarding the BOCC willing to add additional debt to fund capital needs of the County and the School System?

Chairman Inman commented:

- Do the priority needs until the debt is retired in FY 2017-18

The Board agreed with Chairman Inman.

Chairman Inman opened discussion regarding the BOCC's thoughts on remaining items contained in the Economic Development Assessment & Planning Committee recommendation?

Commissioner Walker commented:

- Continue to be convinced that this is a priority need according to our citizens
- Talking to people about the needs – this is one that is at the top of the list – jobs
- Citizens put it like this “What is the use to educate our kids the way we do – a good, quality education – when they can’t find a job in our county and leave”
- Believe people would say this recommendation is the minimum needed – this is a compromise, really need to be doing more
- Believe the citizens in Stokes County want to see this County move forward toward the creation of jobs
- Confirmed with Manager Morris that revenues are critical to the operation of the County
- Confirmed with Manager Morris that if revenues are not increased – the only answer is more taxes
- Can take the blame and put it where it belongs if we don’t make decisions when they need to be made

Commissioner Lankford commented:

- Also talk to people and listen to what the people are saying
- Agree we need more jobs, but no one has explained to me how we can get more jobs

Vice Chairman Booth questioned how many jobs have been created through economic development during the last six years in Stokes County?

Commissioner Walker commented:

- We can have a special meeting to discuss the importance of economic development to Stokes County
- We can look at the number of jobs produced in Stokes County for the amount of resources used compared to jobs produced in other counties for the amount of resources used
- State says millions of dollars come into Stokes County from tourism

Commissioner Lankford commented:

- You can’t compare the creation of jobs in different counties

Vice Chairman Booth commented:

- Would like to see where the millions of dollars come into Stokes County for tourism
- No one has ever been able to explain how that money comes into the County
- It is a state report that no one can confirm and no one can figure it out

Commissioner Walker questioned Commissioner Lankford and Vice Chairman Booth what it would take to change their minds regarding Economic Development and the creation of jobs in Stokes County?

Commissioner Lankford responded:

- A company coming to Stokes County creating 1,000 to 1,400 jobs

Vice Chairman Booth responded:

- Creation of jobs

Commissioner Walker commented:

- Seems we may be wasting our money on high speed internet since that is being done to create jobs
- Will not get the 1,400 jobs because of high speed internet
- May get small companies or companies based at home
- Need to focus our efforts on economic development – need to increase the funding for tourism and economic development

Vice Chairman Booth commented:

- High speed internet is economic development
- Don't see the increases in the summer months in sales tax which should reflect sales taxes from tourism
- Tourism should increase sales tax in the summer months, not showing that on the report submitted by the Finance Director

Commissioner Walker responded:

- People from Stokes County go to other places in the summer months – spending their sales tax dollars there
- Questioned Vice Chairman Booth if he was implying that the only way to measure tourism is with sales tax figures?
- Look at the state figures, think it involves more than just sales tax dollars
- Visitors who may come to Stokes County may decide to move here or even start a business here
- Tourism is probably the best hope to bring people to Stokes County – either to live or start a business

Chairman Inman commented:

- Two things that will bring people to Stokes County in the future will be the Arts Council Project and Vade Mecum both without local taxpayer dollars

Commissioner Walker commented:

- Me being from the part of the County I am from and I am promoting tourism

Commissioner Lankford responded:

- Everyone that ran this year promoted tourism, it sounds good when you say that
- You have go back and look at what tourism has produced

Commissioner Walker responded:

- You said it when you ran last election
- All three of the current Board members promoted tourism in their last campaign

Commissioner Lankford responded:

- I did
- It is a good thing to say

Chairman Inman requested County Manager to get the tourism revenue received in Stokes County from the State; it is actually the amount spent in the County that creates sales tax dollars.

Commissioner Lankford commented:

- Have been told it was millions of dollars being spent
- Have questioned the Finance Director where the revenue is from tourism; she can't show me where the revenue is

Chairman Inman noted this discussion could be continued at a later work session.

Commissioner Walker requested Board members to bring all their data to support their position and he would bring his data to support his position.

Chairman Inman requested Board members to review the proposed Environmental Health Proposal for discussion at tomorrow's work session.

Adjournment

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

Commissioner Walker moved to adjourn the Goals/Budget Work Session. Vice Chairman Booth seconded and the motion carried (4-0) with Commissioner Jones absent

Darlene M. Bullins
Clerk to the Board

J. Leon Inman
Chairman