

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 8, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Budget Work Session for the proposed Fiscal Year 2016-17 Budget in the third floor conference room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Wednesday, June 8, 2016 at 2:00 pm with the following members present:

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

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

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

INVOCATION

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

Vice Chairman Booth delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Inman opened the meeting by inviting the citizens in attendance to join the Board in the Pledge of Allegiance.

Budget Work Session

Chairman Inman turned the meeting over to County Manager Morris for the completion

of the Budget Overview regarding Expenditures.

Department Budget Highlights – Public Building

- Budget increased \$73,262 /6.52%
- Reclassifies Maintenance Worker/Road Signs/Water & Sewer to a Water & Sewer Maintenance Tech and moves salary and fringe to the Danbury Water Fund, Regional Sewer Fund, Forsyth Tech Department and Water & Sewer Authority Fund (No General Fund)
- Moves other Water & Sewer Maintenance Tech to Danbury Water Fund, Regional Sewer Fund, Forsyth Tech Department and Water & Sewer Authority (No General Fund)
- Replaces above 2 positions which were moved to other funds with 2 Maintenance Technicians 1s
- Replaces carpet at Community Services Building (capital reserve fund) (safety issue)
- No personnel added with several facilities added (Autumn Square, new community college coming on board every soon)
- Do not have enough staff for preventive maintenance which causes issues later down the road

Department Budget Highlights – Purchasing

- Budget increased \$2,648 / 3.33%
- Reclassifies Senior Services Program Director to Senior Services Director effectively 09-10-16
- Reclassifies Office Assistant II to Office Assistant III effective 09-10-16

Department Budget Highlights – Recreation

- Contract with the YMCA has not changed; remains at \$117,484
- Contract approved separately by BOCC
- Continuing to look for better facilities for the YMCA in the northern area of the County (possible location at the hospital)
- Have had discussion with Mr. Petree regarding possible programs at the new site in Pine Hall
- Need to continue to look at all opportunities to increase recreational services

Vice Chairman Booth suggested looking at the old Day Care Center at the hospital for a possible location.

Commissioner Jones noted some extensive ceiling damage in the building that had recently occurred.

Commissioner Walker noted that he would like to see the County have multiple locations throughout the County.

Department Budget Highlights – Register of Deeds

- Budget increased \$8,391 / 3.52%

- Replacement computer funded with technology funds
- Shelving from technology funds for restored books

Department Budget Highlights – Senior Services

- Budget increased \$5,231 / .93%
- Reclassifies Senior Services Program Director to Senior Services Director effective 09-10-16
- Reclassifies Office Assistant II to Office Assistant III effective 09-10-16
- Both reclassifications are being recommended to match the duties of the job

Department Budget Highlights – Sheriff’s Department

- Budget increased \$323,693 / 10.14%
- Adds one Sheriff Deputy position effective 09-10-16
- Reclassifies Detective to Detective Sergeant effective 09-10-16 (administrative duties to help reduce compensatory time)
- Adds SRO grant funding (match is \$28,000)
- Bullet proof vest matching funds for 5 vests
- Equipment
 - 6 new vehicles
 - 4 used vehicles
 - Has shifted vehicle within department used for narcotics and detectives to replace the SRO vehicles
 - Requesting \$40,000 from capital reserve set aside for SRO vehicles to purchase vehicles for detectives
 - 2 laptop computers
 - 2 computers
 - Radio equipment (headset/earpieces)

Vice Chairman Booth noted that the Board of Education is requesting the County pick up \$103,000 for SROs in this upcoming fiscal year.

Department Budget Highlights – Social Services - Administration

- Budget increased \$163,707/ 3.71%
- Personnel Services
 - Adds Social Worker Program Manager
 - Needed to help with management of Child Welfare
 - Adds Community Social Services Assistant – Foster Care
 - Transport foster children to various appointments
 - Only have one position
 - Employee is constantly accruing compensatory time which makes Social Workers having to transport foster children
 - Reclassifies (1) Processing Assistant III to Income Maintenance Caseworker I
 - Increased scope of duties associated with NCFAST
 - Reclassifies (4) Processing Assistant III to Processing Assistant IV
 - Increased scope of duties associated with NCFAST

- Lines up with other departments duties – doing same work but classified at IIIs instead of IVs
 - Reclassifies (2) Social Worker II to Social Worker III in Adult Services
 - Doing Social Worker III duties
- Summary of programs
 - Aid to Blind decrease \$480/ (17.45%)
 - Daycare increased \$16,857/1.41% (no County Funding)
 - No change to Medical Assistance
 - Public Assistance increased \$54,121/2.62% (mandated)
- General Fund Funding DSS Administration \$1,389,835, Aid to Blind \$2,270, Medicaid \$15,000 and Public Assistance \$966,029 totaling \$2,373,134 which is a decrease of \$7,664/ (.033%) over last year

Department Budget Highlights – Solid Waste

- Budget decreased \$310,891 / (19.48%)
- Purchase of 8 replacement dumpsters, none purchased in FY 2015-16

Special Appropriations

- Budget increased \$50,918/ 11.29%
- JCPC State funding same
- MPO increased to \$4,829 from \$8,091
- Senior Center King received \$6,978; same as Walnut Cove Senior Center(matching funds)
- YVEDDI funding increased \$1,476 include weatherization due to cancellation of CDBG Housing Rehab Program plus increase in RGP pass through funds and Head Start funding
- RPO funding amount was \$3,873 based on per capita population
- N.C. Forestry Service increased \$8,926; continue to fund temporary smoke chaser position to aid to volunteer fire fighters
 - Did not fund new truck request
- Recommended no funding Roanoke River Basin \$3,500, and Northwest Child Development Center \$8,840 request
- Recommended Stokes County Fire & Rescue Association funding of \$23,460, increase of \$2,772 due to training two more people in asbestos certification and fire house repairs
- Francisco School facility \$35,000 for utilities, insurance, underground tanks and maintenance/grounds funding for 1 year until 06-30-2017 deadline

Department Budget Highlights – Superior Court

- Budget decreased \$313/ (.056%)
- Jury Commissioner reimbursement funding 2017-18
- Cost increase on jury selection software based on per capita population of county
 - FY 13/14 - \$1,400
 - FY 14/15 - \$2,116
 - FY 15/16 - \$2,833
 - FY 16/17 - \$3,550

Department Budget Highlights – Revaluation Fund

- Budget increased \$50,8114 / 31.93%
- Part time contract employee for one year effective 08-13-16 to fill gap due to retirement of senior appraiser, \$15,502 budgeted
 - Required to complete revaluation on time

Department Budget Highlights – Tax Administration

- Budget increased \$93,258 / 13.14%
- Assistant Tax Admin/Delinquent Tax Collector to Assistant Tax Collector/Delinquent Tax Collector – title change only, no cost
- Document scanner
- Increase in Misc. Contractual Services due to the cost of the state collecting motor vehicle tax (fees being charged by the state increases the budget)

The Board discussed the increase by the state for collection of motor vehicle tax.

Department Budget Highlights – Transfers

- Budget decreased \$79,525 / (4.91%)
- Transfers
 - \$100,000 for HVAC replacements to Capital Reserve
 - SRMH Fund \$100,000 per lease agreement with modification
 - Transfer of debt payoff to Schools/FTCC Construction/Operating Fund for future payments; amount is \$866,200 per approved financial model
 - This transfer is from retired G.O. debt
 - This is our standard approach to get rid of all debt sooner
 - Title XIX Medicaid of \$574,561

The Board discussed the Title XIX Medical Cost Settlement which is projected to increase this year.

Department Budget Highlights – Vehicle Maintenance

- Budget increased \$36,953 / 21.82%
- Equipment purchase:
 - (2) 12,000 lb. post lifts
 - Front end alignment machine (financed)
 - Keeps vehicles from being sent out – costly
 - Save time and money over the long
 - Vehicle tire lift
 - Plasma cutting torch
 - Pallet jack
 - Several items recommended to help prevent worker compensation claims
- Misc. Contractual Services – Maintenance on All data System, Vehicle Maintenance software and Ford & Chevrolet scan tools

Department Budget Highlights – Veteran Services

- Budget increased \$430 / 2.14%

Capital Reserve Fund Transfers

- Transferring into Capital Reserve
 - \$100,000 for HVAC replacement
- Transferring out to General Fund
 - Tax Office - \$29,900 (software)
 - ROD - \$12,900 (shelving)
 - Public Buildings- \$8,000 carpet -- Community Service Building
 - Sheriff's Department - \$40,000 (vehicles
 - Environmental Health - \$3,000 (software)
 - Emergency Communications - \$23,852 Generator (Sauratown Mountain) Hyper-Reach Emergency Notification System, Console upgrade main dispatch talk groups

Department Budget Highlights—School/FTTC Construction/Operating Fund – Debit Service Fund (4 cent tax)

- Transfer to General Fund
 - Debt Service Payment \$1,706,329
 - FTCC Operating cost \$203,194 (includes one half of a year for the new community college facility) (entire campus)
 - Poplar Springs Elementary School operating cost \$95,440
- Funds from Ad Valorem taxes collected will go into this fund balance. County is maximizing the use of lottery funds for the payment of school debt for fiscal year 2016-17
 - Lottery Fund Balance was used first to keep it low

Department Budget Highlights – E911

- Completing fact finding and funding structure to use Rockingham County as our new backup center
 - Approved backup plan required to receive funding from E-911 Board for backup; Stokes County's plan almost complete
 - Budget amendments will follow if needed to adjust funding based on E-911 Board funding decisions

Department Budget Highlights – Enterprise Funds

- Regional Sewer Fund
 - Funding of (2) Water & Sewer Maintenance Tech increased
 - Radium removal filtration system (mandated by NCDEQ)
 - Debt paid off FY 2015-16
 - Residential sewer base rate increased from \$14 to \$17 and \$5.75 to \$6.00 per additional thousand gallons
- Danbury Water Fund
 - Funding of (2) Water & Sewer Maintenance Tech increased
 - Radium removal filtration system (mandated by NCDEQ)
 - Residential water base rate increased from \$23 to \$28 and \$6.75 to \$7.25 per additional thousand gallons
- SRMH Fund

- To be determined based on hospital outcomes, comes into play if formal ownership of hospital is transferred back to the county

Department Budget Highlights – Fire Districts (All)

- King Fire District Fund
 - Tax rate increases to 8 cents– collection rate 97%
- Rural Hall Fire District Fund
 - Tax rate increases to 8 cents– collection rate 97%
- Walnut Cove Fire District Fund
 - Tax rate increases to 8 cents– collection rate 97%
- Service District Fund
 - Tax rate increases to 8 cents – collection rate 97%

County Budget Comparisons

- The Local Government Commission generates budget comparison data for counties in North Carolina of similar population groups
- Counties similar to Stokes County are funded on an average range from \$51.9 to \$54.9 million, which is significantly higher than Stokes County
 - Backs up the County has more of a revenue problem than the
- This data supports the premise that Stokes County is not overboard on the expense side of the budget for personnel and equipment

Here is Where We Stand

Graph shows that the County collided with the train in FY 2015-16

County Manager Morris noted:

- My recommendation last year was to increase revenue (recommended 6 cent tax increase last year and received 2 cent tax increase)

In Summary, So What Is Important?

- Addressing the revenue shortfall for this and the next budget
 - Will budget receive major structural changes (cuts) during next two years or will increased revenues be used along with available fund balance to balance budget?
- As shown on the previous chart we are now at the crunch point on revenue to perform most basic operations of the county
- Personnel turnover remains a concern and is reason for recommendation of outside salary study. Maintaining compensation at a competitive level is required to attract acceptable candidates and retain current employees; we need individuals that are trained when we hire them
 - EMS and DSS are critical areas of concern for personnel stability
- Maintaining an adequate fund balance to meet financing requirements for new debt and emergencies
 - Local Government Commission is starting to lean toward 30% Fund Balance for counties our size
- Maintaining mandated and expected service levels to citizens

- Maintaining adequate property tax rates and General Fund balance by examining all potential sources of increased revenue during this year and next
- Carefully managing the hospital asset to prevent significant budget damage (bankruptcy)
- Total support of broadband expansion in the county to support Economic Development and educational opportunities (this will be a game changer for the County)

Commissioner Walker confirmed with Finance Director Edwards that at the end of FY 2014-15, the County Fund Balance was 25.1%. (Unassigned)

Finance Director Edwards noted that the LGC is going to start tracking the amount of Fund Balance that is allocated to balance the budget

Back Up Charts

- Stokes County Rate History

Year	General County	Educational Fund
2015	0.62	0.04
2014	0.60	0.04
2013	0.60	0.04
2012	0.60	0.04
2011	0.60	0.04
2010	0.60	
2009	0.60	
2008	0.60	
2007	0.60	
2006	0.60	
2005	0.60	
2004	0.62	
2003	0.62	
2002	0.62	
2001	0.62	
2000	0.62	
1999	0.62	
1998	0.57	
1997	0.57	
1996	0.57	
1995	0.57	
1994	0.57	
1993	0.57	
1992	0.69	
1991	0.69	
1990	0.59	
1989	0.59	
1988	0.54	

1987	0.53
1986	0.57
1985	0.57
1984	0.55
1983	0.51
1982	0.46
1981	0.61
1980	0.61
1979	0.61
1978	0.61
1977	0.56
1976	0.50
1975	0.50
1974	0.47
1973	1.00
1972	1.00

Leadership – My Philosophy

My leadership philosophy is that there are two things that real leaders do to ensure the success of their organizations. Number one is they provide the resources their people need to do their jobs. Number two is they empower their people to do the jobs they are hired to do. If these two conditions are met, the result is almost always a loyal and dedicated workforce that accomplishes their mission, whatever it happens to be.

- As the head of several organizations, large and small, I have found this guidance on leadership to be true, but not always easy, and I think it certainly applies to Stokes County as well. Most people want to do a good job and will do so if given the tools and freedom to do so
- This philosophy drives the budget proposals you have received and will continue to receive from me.

Fiscal Year 2016-17 Revenue Overview

County Manager Rick Morris presented the Revenue Overview for Fiscal Year 2016-17:

Overview

- Revenue projections remain conservative due to slow economy and other unknowns
- Projections for FY2016/17 are based primarily on actual collections this year compared to budgeted amounts
- Largest revenue problem is expiration of “Hold Harmless” funds, followed by 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

FY16/17 Projected Revenue Summary

- Fund Balance Appropriated = 4.87%
- Ad Valorem Taxes = 50.66%
- Other taxes and Licenses = 10.18%
- Unrestricted Intergovernmental Revenues = 1.30%
- Restricted Intergovernmental Revenues = 17.03%
- Permits and Fees = .71%
- Sales and Services = 6.40%
- Other Revenues = 8.85%

County Manager Morris noted there will be no funding available for Fund Balance appropriation next year.

Ad Valorem Taxes

Comparison Data

- FY 16/17 county value is \$3,379,105,601
 - General Fund-Estimated Ad valorem revenue is **\$20,977,488** using a **64 cent** tax rate at **97%** collection rate
 - New School /F. Tech Fund-Estimated Ad valorem revenue is **\$1,317,446** using a **4 cent** tax rate at **97.47%** collection rate
- For comparison FY 15/16 value was \$3,340,437,369
 - General Fund-The collection rate of **96.97%** was used, which produced **\$20,083,177** in Ad valorem revenue at **62 cents**
 - New School/F. Tech Fund-The collection rate of **96.97%** was used, which produced **\$1,295,689** at a **4 cent** tax rate
- FY 16/17 county value for Motor Vehicle is \$351,713,414
 - Motor Vehicle Ad valorem revenue is **\$2,250,966** using **64 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 **\$140,685**
- For comparison FY 15/16 the State did not collect for the full fiscal year
 - General Fund- Fund-The collection rate of **100%** was used, which produced **\$2,117,262.** in Ad valorem revenue at **62 cents**
 - New School/F. Tech Fund-The collection rate of **100%** was used, which produced **\$136,598** at a **4 cent** tax rate

County Manager Morris' recommended budget is based on a 97% collection rate, but the Board can approve up to 97.47% collection rate which would add about one cent of revenue

FY 16/17 Sales Taxes

- Sales taxes are currently **\$153,040** ahead compared to last year as of March 2015
- Sales tax revenue estimates for 30 June 2016 are:
 - Article #39 - \$1,785,890(budgeted amount \$1,525,000)

- Article #40 - \$1,841,271(budgeted amount \$1,695,000)
- Article #42 - \$460,985 (budgeted amount \$400,000)
- Projected gain this year over last year in combined sales tax revenue is **\$205,880**

FY 16/17 Sales Tax Estimates

- Recommended FY16/17 budget sales tax estimates as shown below
 - Article #39 from \$1,525,000 to **\$1,970,700**
 - Article #40 from \$1,695,000 to **\$2,168,155**
 - Article #42 from \$400,000 to **\$511,660**
- These are conservative estimates based on actual collections experienced during this budget year. Increase in sales tax estimated revenue includes \$1,250,000 from new sales tax and \$250,000 from WalMart per the Board of County Commissioners

County Manager Rick Morris noted that the new Walmart will not open till the Spring of 2017 and the Board may want adjust the sales tax estimate.

FY 16/17 School's Sales Tax

- Sales taxes are currently **\$54,089** ahead compared to last year as of March 2015
- Sales tax revenue estimates for 30 June 2016 are:
 - Article #40 - \$861,244 (budget amount \$770,000)
 - Article #42 - \$754,641 (budget amount \$660,000)
- Projected gain this year in combined sales tax revenue is **\$72,518** compared to last year.
- Recommended FY 16/17 budget sales tax estimates as shown below
 - Article #40 from \$770,000 to **\$895,853**
 - Article #42 from \$660,000 to **\$755,147**
- These estimates includes part of the \$1,250,000, new sales tax and \$250,000 WalMart sales tax.

Other Revenue Items of Interest

- 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 FY2015-16, these rates are controlled by the FEDs and until unemployment goes down it is not likely they will raise rates on investments. FEDs increased rates and would be looking at increasing later on this year, but with the economy it is not likely that they will raise rates again this year.
- Proceeds from Financing include: one (1) new ambulance \$184,000, six (6) cars for Sheriff's Department \$168,000, four (4) Physio Control LifePak \$158,652, five (5) TruCPR Coaching Devices \$9,831, five (5) Ferno Stretchers \$196,813, one (1) transport vehicle \$26,000 and one (1) Front End Alignment Machine \$30,000. Totaling \$773,296.
- Increasing the collection rate to the maximum of 97.47% would add almost one cent of revenue; recommended rate is 97%
- Ambulance Fees estimate increased \$200,000 based on collections in 2015/16.
 - LifeStar presence has allowed our ALS ambulances to generate additional revenue

- Budget recommendation is for appropriation of \$2,297,018 from General Fund balance
- Recommendation appropriates \$450,000 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 \$2,004,963 consists of \$1,706,329 for Early College and schools debt payment, \$203,194 Early College operating expenses, and \$95,440 Poplar Springs Elementary School operating expenses
- Projection of Revaluation FY 17/18 increase is approximately 3% instead of the 5% per Tax Administrator.
 - The \$632,374 revenues amount on earlier chart for FY2017/18 assumes a 2 cent Ad Valorem tax increase this year

Vice Chairman Booth confirmed with Manager Morris that the ALS increased calls are basically a wash with the loss of convalescent care calls.

Revenue Adjustments

- Below are areas where revenue projections could be increased by BOCC
 - Ad valorem collection rate and/or tax rate
 - Increase fees for services (ex: EMS, Animal Control, Environmental Health, Planning, Solid Waste and etc.
 - Could also look at charging a fee for fire inspections and plan reviews
- 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

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; changes in the new sales tax formula
- 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 because new sales tax legislation did not provide the necessary revenue increase to fix our revenue shortage issue

Chairman Inman expressed appreciation to Manager Morris for the detailed information presented regarding the expenditures and revenues for the upcoming FY 2016-17 Budget.

Chairman Inman commented:

- Loss of revenue doesn't make it any easier to balance a budget
- Hopefully the projected sales tax increase will come through, but that will not fix the revenue problem
- Must continue to find new revenue sources
- As everyone knows, a budget that relies so heavily on the Ad Valorem tax base to fund services is not a sustainable budget
- Something has to be done – reduce services, eliminate services
- Can't continue to keep allocating from the Fund Balance
- This manager has done his job; it is now time for the Board to start with the manager's recommended budget

Chairman Inman opened the floor for discussion.

Commissioner Jones commented:

- We have got to increase tax by 2 cents just to maintain
- Promised last year to increase the fire tax, need to follow through with that
- Need to take into consideration what the manager noted about Walmart not opening until the Spring of 2017
- My only request is that we do what is needed to keep this County running effectively, keep our good workers, work on our pay gaps; going to stop with that because I sound like a broken record – said the same thing last year

Vice Chairman Booth commented:

- Trying to take it all in
- At the first budget meeting, I stated that I didn't want to raise taxes
- Now we have a budget with a 4.8% increase over last year's budget
- Not ready to make any decision
- Have a lot of things to consider

Commissioner Lankford commented:

- In reviewing all the departments and during the planning session in April, I think it was a consensus that this Board did not go up on county taxes which I think the manager heard that very specifically
- Also discussed the percentage to leave in the Fund Balance which was noted to be 20-25%
- I think I stated I would like to keep the Fund Balance at 25%

- By saying that, here comes a budget presented to us with almost a \$3 million increase without the revenue
- Everyone knows if you don't have the revenue, you can't ride the train
- There has got to be a lot of thought process with this budget
- Don't think we have looked at it to the point where we have tried to come up with different options and different things to do to make this budget work
- There is a lot of work to do on this budget before it is finished
- Basically, there are two budget models that I think about every time I look at a budget
 - I look at a principle budget where all the people are being represented based on non-selfishness, honest, and fairness and how the revenue is distributed
 - Then there is another model called preference budget where the majority of the revenue is received by a small segment part of the whole
 - This where I see this budget at this point
 - This is a preference budget for a small segment of all the departments we have
- I think it is going to take a lot of work to work that out
- With only a \$153,400 worth of sales tax increase and Ad Valorem taxes staying the same, we must look at other avenues

Commissioner Walker commented:

- In some ways, I feel like I am still trying to get a grip on this budget
- Of the many budgets I have been involved with over the years, this one has probably the most significant challenges of any that I have worked on so far
- We are very blessed in many ways in our County
- We have exceptional, good employees in many of the key areas
- Their work ethics are tremendous
- In some positions, we have employees doing the job of at least a couple of people
- We have been able to have the benefit of a lower budget than many comparable counties in the state for many years
- One reason, I think it is because we have good employees
- Another thing is that we have been budgeting conservatively for many years
- At one time, had almost no Fund Balance
- Have built our Fund Balance up to a respectful amount comparable to similar counties across the state
- We were able to hold that for a while
- We created a school fund which increased the taxes by four cents but it was specifically for schools; I received very little citizen concern, it was accepted very well
- By creating the tax, we have been able to construct some very needed facilities
- We were able to cover funding for the community college which is just about completed
- As far as our regular budget, we have some of the most significant challenges in this budget that I think I have ever had to deal with as part of the budget process
- One of the most recent challenges is the situation with our hospital

- We had no warning that was going to happen
- That is a budget changer, could be a substantial amount to just keep the hospital open for now
- Salaries in some areas, as mentioned by the manager, such as EMS and others are not as competitive as we could be; however, I will continue to say that Stokes County is a really good place to work and live
- That is why sometimes we can get by with lower salaries because people like to live and work here
- Requested Finance Director Edwards to provide the Fund Balance information given at yesterday's budget work session

Finance Director Edwards presented the following information:

- Fund Balance appropriation for FY 2013-14 = \$2,845,237 (did not use because County received half of the Hold Harmless)
- Fund Balance appropriation for FY 2014-15 = \$2,823,913 (used \$113,329)
- Fund Balance appropriation for FY 2015-16 = \$2,244,446 (feel most of the appropriation will be used this fiscal year) (will not know until after June 30, 2016)

Commissioner Walker continued:

- Noted there will not be nearly as much Fund Balance to balance the budget next year
- As a County, we are probably as financially challenged as we have been in many years
- My preference is: if there is any possible way to reduce the amount coming out of the Fund Balance and not have a tax increase, I will listen with an open mind
- I will be very interested in any suggestions in that direction
- I have a lot more work to do, studying, thinking, praying, and trying to get a better grip on it, but I do feel like this, in some ways, it is more budget than we can afford
- There is a lot of things in this budget that will keep our county moving forward but I think at some point, we are going to have to start asking ourselves some questions - Can we continue doing this or that?
- We have a pattern going that should it continue, where it will take us in the future doesn't look particularly good – that light at the end of the tunnel diagram
- We have to make some changes
- Is it fair to put all those changes on the backs of our taxpayers and say you are going to have to just reach deeper in your pockets? I don't think so
- For many years, as an elected official that serves the citizens, I have said a tax increase should be our last resort
- By the time we get to a tax increase, we should have exhausted all our other reasonable options
- I think that is where we are with this budget
- Glad we have more sessions to continue working on it
- I think we have some serious work to do as a Board

Chairman Inman commented:

- This will be my 14th budget
- This one is certainly not easier than a lot of the others
- It has challenges
- A budget is a fairly simple document – revenues coming in and expenditures going out
- In the perfect world, there would always be enough revenue coming in to take care of the expenditures for the needs
- Appreciate Commissioner Lankford's assessment of budgets
- Essentially there are needs and then there are wants
- Our problem is that I don't think we can feel all the needs with the revenue that we currently receive
- Noted that Ad Valorem taxes bring in 50.66% of the revenue in Stokes County, that is not sustainable
- The challenge is to figure out a way to deliver the needed services that the citizens have come to expect
- Any commissioner would say as a last resort, consider a tax increase
- With that being said, this is not the manager's budget, this is our budget and at the end of the day, we are all going to have to own it
- Voting for it or against it, we have to own it
- I will certainly say; however my vote turns out to be with the final budget, I will take responsibility and own that budget whether I voted for it or not
- My hope would always be as a last resort to have a tax increase
- Fund Balance in 2002 was 3.5%
- Did an interim budget in 2002 waiting for Hold Harmless revenue that did not come
- Have come a long way by budgeting conservatively and capturing excessive revenues to build up the Fund Balance
- I can truly said that we have not built the Fund Balance on the backs of the taxpayers
- Don't know that every county can say that
- Now there is nothing to pull back
- Per Finance Director Edwards, the county will probably use all the Fund Balance allocation in FY 2015-16
- We have some big challenges
- If we take the manager's recommendation of taking \$2 million out of the Fund Balance and raise the Ad Valorem taxes two cents, the question is "What happens next year?"
- Don't know if you will have enough additional revenue to offset the growth of the budget for next year
- Some big decisions to make

Vice Chairman Booth commented:

- Remind everyone that the Sheriff's Department, Emergency Medical Services and Emergency Communications received a three-grade pay increase with the adoption of the FY 2015-16 budget which cost, if not mistaken, around \$750,000

recurrence (FY 2015-16 expenditures for the three-grade increase was about \$560,000 because it was put off for one quarter)

- This year, it is the full amount of \$750,000
- The board decided jointly that the other employees deserved a grade increase, all other employees were given a one-grade increase with the adoption of the FY2015-16 budget
- Since I have been a commissioner for six years, there has been some years that employees did not receive a COLA or bonus due to budget issues
- \$750,000 is equal to approximately two cents – two cent tax increase last year paid for the three-grade increases
- This budget contains another increase like the grade increases last year - EMS
- We have a lot to balance in this budget
- I looked back at what this County has done during my six years as a commissioner, have done a lot
- Have built \$35 million worth of schools
- Lot of work to do

Chairman Inman commented:

- Questioned how the Board would like to proceed from this point?
- Need to maximize the process
- Need a budget by June 30, 2016
- Next budget work session will be a joint work session with the Board of Education on June 14th
- Must look at the EMS situation
- Unknown challenge regarding the bankruptcy of Pioneer Community Hospital of Stokes
- Requested Fire Tax increase this year

County Manager Morris questioned if there was any other information needed before the joint meeting with the Board of Education.

Commissioner Walker commented:

- We need to start with departments that have the biggest impact
- Start with EMS, not talk about dollars and cents but what options we have and when they can come into play
- Information was presented to the Board on Monday regarding privatization of EMS
- That is not something that we would not want to have to consider when our EMS is working well
- But because of the budget situation, don't think we can rule out any option at this time
- I am keeping an open mind
- Continuing to gather information
- Looking at the timing of some of the items in the budget
- We may not have all the information needed about EMS by June 30th

- Can we slide that into next year's fiscal budget with a possible budget amendment?

Chairman Inman commented:

- Can do a continuation budget from 2015-16 or do an interim budget

County Manager Morris responded:

- Once the budget is adopted, can do whatever you want except increase the tax rate
- An Interim Budget is a real bad idea – causes issues with tax bills if the tax rate is different

Chairman Inman commented:

- One option for EMS is adding another shift to change the work schedule from 24/48 to 24/72
- Will add 11 new employees

Commissioner Walker commented:

- Have worked years to get to where we can do things like purchase ambulances and Sheriff's vehicles
- If things don't change, how long are we going to be able to continue doing things like that, unless taxes are increased higher than I would ever want them to
- There are a lot of questions that don't have answers right now
- Need Economic Development in the County – increase businesses, creating jobs, better economy – that seems to be the challenge for the Federal, State, and County levels
- Thought probably needs to be put toward what we can change or improve for our citizens and county to have a better future
- It is critical and essential for our county to be able to produce more revenue

Commissioner Jones commented:

- Feel the County was put in a position (school lottery funding was cut) to create the 4 cent school tax
- Feel it has taken away our freedom to be able to raise taxes when we really need to because of the shotgun effect to encounter what was imposed on us
- We have all this extra debt with the revenue that was promised and did not receive
- Talking about a preference – taxes for one particular issue while all the other things are constantly being postponed
- I think that is holding us back a little
- Don't know if the citizens understand that was not our fault
- The tax increase for schools was a good thing, but we were put in a position to do that
- We need that revenue but don't feel we can go ask for it now

Chairman Inman commented:

- To follow Commissioner Jones' comments about the lottery, unfortunately, most of our citizens still think the lottery is truly an education lottery
- When the lottery was passed, 40 of the lottery proceeds would come back to the counties/municipalities for school construction
- Today that percentage is less than 20%
- Stokes County saw a payment go from approximately \$820,000 to \$400,000
- That really shot a hole in the County's financial model
- NCACC is trying to get that percentage higher

Commissioner Walker commented:

- The local 4 cent school tax produces approximately \$1.3 million annually

Vice Chairman Booth commented:

- The County had to make up the difference

Chairman Inman commented:

- Almost all of the requested increases for the school's current expense arrive from state cuts, leaving it up to the County to pick up

Commissioner Lankford commented:

- Looks like probably 95% of every department has increased or the recommendation has increased
- That is why we have got our work cut out for us
- Recommended budget is approximately a \$3 million increase
- Have to step back and ask "how much can we afford?"
- Stokes County is a rural county with approximately 47,000 citizens
- We can continue this pattern, it is not going to work
- You can't put all the burden on the backs of the taxpayer
- We want good services but we might can't provide the services that a county that has a \$400-\$500 million dollar budget

Chairman Inman commented:

- Need to go back to the EMS situation
- Had a private entity provide information about privatization of EMS
- Think that entity does not currently do ALS in a rural county
- The concern is not over the quality of services being provided
- This county receives quality service and great care from our current EMS
- The concern is simply the cost if that is what I am hearing everyone say
- The question is whether we can continue to provide that service
- It is a tough issue
- You must remember the current situation of the hospital
- If something happens and we are not able to sustain the hospital, then EMS becomes the only other access to medical services for half the county
- You have to think about that
- Can get any additional information that is needed

- Can hear from some other private provider
- Need to start zoning in, we have the big picture

Vice Chairman Booth commented:

- The expenditures for EMS last year was \$2,688,845
- The recommended budget for EMS this year is \$3,767,282
- That is a significant increase
- Gave the three-grade increase for Sheriff's Department, EMS, and E911 which was close to a 10% increase in salaries for employees
- Adding this additional shift is a significant increase
- Have to take into consideration possibly revenue from collections (40-50%) from the private company that spoke to the Board on Monday (not a commitment)
- Potential revenue of \$750,000 at a subsidy of approximately \$250,000 per unit
- Entity also spoke about buying the equipment and leasing the stations
- Have to look at all these options

Commissioner Walker commented:

- Wondering if my fellow commissioners view this as an urgent almost semi-emergency financial situation to our county – the recommended budget that we are dealing with
- If we are dealing with an urgent financial situation versus pretty much business as usual
- Commissioner Lankford spoke earlier about actual needs
- I think actual needs is what we can get by with versus what we really prefer “wants”
- I am leaning toward this year and maybe not just this year, being in a category that we have to take some measures, financially, to avoid that train at the end of the tunnel that ordinarily we would not want to take
- We are in some tough situations
- For example, from years past, was on a Board that did get a letter from LGC, a letter that will get your attention
- It had a very ominous tone
- We started trying to fix the financial situation by using used state patrol cars for one example
- We had to do some real belt tightening
- We did get back to the kind of Fund Balance we wanted as did the county in the 2002
- We are not in that kind of shape but we are facing some really tough financial decisions in our county
- To me, this is definitely not a year that we can describe as being “business as usual”

Commissioner Lankford commented:

- Agree with Commissioner Walker, we have to focus, at this point in time, how much can we afford to spend and put together a budget that will not completely drain the Fund Balance?

- There are a lot of things that I would like to have personally, but I know I can't afford it
- If the County had plenty of money, like most people think, we would not be here having this conversation

Vice Chairman Booth commented:

- Building these schools was actually laid in our laps
- I attended the meetings prior to becoming a commissioner
- At one meeting, a commissioner finishing his term stated that it was the incoming new Board's problem as to how to pay for the school construction that had just been approved
- Approved a 4 cent tax to pay for school construction and the community college
- Remember one budget that 16 jobs were eliminated
- This recommended budget is adding 18-19 full time positions
- Must remember that each new job adds approximately \$10,000 per position for benefits
- New positions are recurring
- Have a lot to look at with this budget

Chairman Inman commented:

- Please
- If we don't take the manager's recommendation, will have to deal with whatever happens
- It is this Board's decision
- Feel it is unfair to compare privatization versus county services unless you do a Request for Information
- Need to give some thought to doing a RFI or RFP

Commissioner Lankford commented:

- Stokes County has operated EMS for over 40 years
- I have always supported the EMS operation
- If we stay with the 24/48, it will make a big difference in this budget
- If we can't stay with the 24/48, I am ready to send out a RFI

Commissioner Walker commented:

- My reason for asking about the timing was because I feel this is far too important to make a rush decision
- It concerns a critical service in this county
- If we don't have the information or don't feel comfortable making the decision, would let this take as much time as needed
- I am keeping an open mind
- I want what I think the other commissioners want which is what is best for our citizens

Chairman Inman commented:

- Please let the manager know if there is information that is needed

Adjournment

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

Commissioner Lankford moved to adjourn the Budget Work Session. Vice Chairman Booth seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

J. Leon Inman
Chairman