

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 20, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met
For a recessed Budget Work Session (recessed from June 14, 2016) 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 Tuesday,
June 20, 2016 at 1:30 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 reconvened the work session which was recessed from the
June 14, 2016 Budget Work Session.

Chairman Inman noted the work session would be cut a little short today due to a Special
Called Meeting for 3:30 pm.

Budget Work Session

Chairman Inman commented:

- Believe the Board needs to look at the areas in question
- In my mind, there are three main areas - personnel, equipment, and school's current expense
- We can start with new positions, approximately 20 new positions which includes a new shift for Emergency Medical service in order to change the work schedule from 24/48 to 24/72

- Need to determine if this Board is willing to do a tax increase
- Need to then determine what is the comfort level for this Board to allocate from Fund Balance

Chairman Inman opened the discussion.

Commissioner Walker commented:

- Got some work to do
- Find this budget to me to be as much as a challenge in many ways with any budget that I have personally been involved with
- Want to continue to provide the highest level of service possible with the resources that we have to work with
- I think the wisdom or prudence is to find where that line is between what we would really like to offer our citizens and what the county can afford at this time

Commissioner Lankford commented:

- I have been reviewing this budget with a fine tooth comb
- I think it was a consensus of the Board to not have a tax increase and I support that totally

County Manager Morris responded:

- That is not correct information, I can get the minutes

Commissioner Lankford responded:

- We are going to get this straight right now
- This is our meeting
- Do you understand that this is our meeting?

County Manager Morris responded:

- You have been putting out false information

Commissioner Lankford responded that he had not put out any false information.

County Manager Morris responded:

- Three commissioners told me to do a tax increase if I needed to
- Two commissioners said no
- I can get the minutes to prove it, if you want me to

Chairman Inman called a recess.

Chairman Inman called the meeting back into open session.

Chairman Inman commented:

- Understand this is a highly charged situation

- I know we all have different views and I want to respect everybody's view, but lets take the personal out of it and look at it from a business standpoint
- As a commissioner, it is part of my job to either accept the manager's budget or change any or every part of it

Commissioner Lankford continued:

- Would like to continue with what I was saying that I am not for a tax increase
- I would like to poll the Board before we continue any further discussion about this budget, it seems like there is a discrepancy

Chairman Inman responded:

- Tax increase is always a last resort
- That is the last thing that I consider, not first, but always the last thing
- I look at every budget individually
- My record will show that I voted for one tax decrease and voted for other tax increases including the one last year

Vice Chairman Booth responded:

- Not for a tax increase

Commissioner Jones responded:

- Don't see any way around a tax increase if we are going to protect this county and be fiscally responsible
- Quite frankly, I think that the manager's recommendation is too conservative
- Want to make it clear that I don't want a tax increase, but I want to do what is needed to move this county forward

Chairman Inman reiterated that a tax increase is always the last thing that you look at.

Commissioner Walker responded:

- I have said Chairman Inman's statement many times along the way – the last thing you look at is a tax increase
- I believe my comment (think the Clerk will be checking the minutes for the actual comments) was something along the lines – “I prefer not to have a tax increase in this budget; however, I will keep an open mind regarding all aspects of the budget, I will not rule anything out at this point, although my preference would be to not have a tax increase”
- I think I have stated earlier that my preference is to not have a tax increase at this time
- Whether we change the tax rate or not, there is a substantial tax increase in this budget
- There was a substantial tax increase in this past year's budget which is still there
- A 2 cent tax increase did very little to change the situation
- A two cent tax increase would do very little to change the situation as it is today

- We have had the benefit to access our Fund Balance to put off a significant tax increase
- I am going back in history just a little bit – going back to last year
- I think Commissioner Jones and I would have preferred to have dealt stronger with it at one time – talking about a possible 5-6 cent tax increase last year
- If that had been done last year, it would have given us more maneuvering room for this year's budget
- If things go the way they appear to be going, anyone can do the math, we are looking to keep things going as they are now through this year and next year a 9-10 cent tax adjustment, unless we change our expenses or we start getting in more revenues
- I am really not for a tax increase this year because I see what is coming next year
- I had rather had, for the sake of our citizens as I understand, less tax increases instead of more- talking about frequency
- Instead of raising the taxes another two cents this year, I would prefer no tax increase this year and we keep working to find ways to trim our expenses, keep providing services and hopefully find ways of securing more revenue

Chairman Inman responded:

- Sounds good, but then reality is not very good

Commissioner Walker continued:

- I will put what is said up against any reality check
- The reality check is that we are doing a dancing game between Fund Balance and tax increase
- Need to trim expenses as much as possible

Chairman Inman responded:

- It has already been trimmed to the bone
- You have a systematic increase each year – you can have up to 2% built into the budget

Commissioner Walker continued:

- In fairness to the situation, if you look at trimming it to the bone, it would be different among the five of us
- Each individual would have certain things that they would want to keep in and certain things that they would want to take out
- It varies from person to person
- There is a 5% increase in this recommended budget over last year's budget
- It is huge

Chairman Inman responded:

- Part of that increase in the manager's recommendation is for EMS
- This budget is simply a recommendation from the manager

Commissioner Lankford commented:

- The manager has made his recommendation and at this point, it is the commissioners' budget
- That is what I want everyone to understand including the manager

County Manager Morris responded:

- Understand clearly that it is the commissioners' budget

Vice Chairman Booth commented:

- I answered the poll of not wanting a tax increase, but I did not get a chance to give any comments
- Agree with Commissioner Walker's comments to a great extent
- If we look at this budget now, we are going up nearly 5%, and I don't think we are in a position with revenues to be able to do that
- We are talking about adding up to 20 employees
- When I first came on board, we reduced 16 employees – a very tight budget year
- This is a very tight budget year
- This recommended budget adds \$728,000 for new employees
- We must look at that plus look at equipment
- The county manager has even said himself this recommended budget would probably have been submitted different if the hospital bankruptcy situation had been known before submission of the budget
- We can't just go out there with this budget that could put us in jeopardy for next year
- If I understand this recommended budget correctly, there will be no Fund Balance to use next year
- We are going to have to budget this year, looking at next year, knowing that new revenues are hopefully coming in
- Services are good in Stokes County, that is my opinion
- We are not talking about cutting services
- Confirmed with Finance Director Edwards that the increase to the budget this year, without adding anything new, would be approximately \$900,000
- We can't spend all of our Fund Balance with nothing left for next year
- Just did a tax increase last year
- Can't see another tax increase this year
- The population of this county is growing older
- Citizens are on fixed income
- You are putting the burden on the property owners in which a lot of them are elderly citizens

Chairman Inman commented:

- Have spoken to Finance Director Lanette Moore regarding the Golden LEAF Grant for the chrome notebooks for South Stokes and West Stokes High Schools
- The question had been asked by this Board regarding the need for a facilitator

- Finance Director Moore has verified that both South Stokes and West Stokes High Schools can work the grant using teachers
- Discussed the recent cuts from the school system in the amount of \$309,742
- Confirmed with the Board members that each one was on board with funding the \$200,000 for the chrome notebooks for South Stokes and West Stokes High School
- If this Board funds technology in the amount of \$200,000 and the school system has already made additional cuts of \$309,742, that would leave \$472,000 for the school board to cut
- Currently, the Board of Education has roughly \$500,000 in their Fund Balance that could be put toward the \$472,000

Vice Chairman Booth commented:

- A lot of times the Board of Education's revenues come in higher than estimated which eventually increases their Fund Balance
- Also spoke to the school system and found out that North Stokes did the Golden LEAF Grant for chrome notebooks last year and did not have a facilitator

Chairman Inman commented:

- When I spoke to Director Moore, she wanted me to convey that when you, Vice Chairman Booth questioned about not having to have a facilitator, that had not been discussed

Vice Chairman Booth commented:

- Glad that they checked into being able to obtain the grant without having a facilitator

Commissioner Walker commented:

- Why are we looking at this today?

Chairman Inman responded:

- That is one area that the Board of Education spoke to this Board about during our Joint Budget Work Session
- The Board of Education specifically requested additional funding for current expense to include the funding for the Golden LEAF Grant for chrome notebooks

The Board discussed the current expense being requested by the Board of Education

Which is a shortage of \$982,357 between what was requested and what the county manager

Recommended.

Commissioner Walker commented:

- Remember when former Commissioner Carroll did some reallocation of funding in a creative way to make the budget work

- Confirmed with Finance Director Edwards that the Board during former Commissioner Carroll's term did allocate the Board of Education a one-time allocation of \$100,000

Vice Chairman Booth noted that he remembered what Commissioner Walker was talking About regarding former Commissioner Carroll and the budget, as he had attended the work Sessions that particular year.

Commissioner Walker questioned if anyone knew if we were still allocating funding According to former Commissioner Carroll's formula?

Chairman Inman commented:

- Do remember former Commissioner Carroll redoing almost the entire budget

Vice Chairman Booth commented:

- Board of Education does not know yet what their allocations will be from the State
- Normally, it is always better than they estimated

Commissioner Walker noted the last thing he had heard was the state had a nice surplus.

Chairman Inman noted he had heard it was in the billions.

Chairman Inman continued:

- No one knows that school budget better than Lanette Moore
- Don't think they are adding anything or hiding anything

Commissioner Walker commented:

- When I looked at the school's current expense cut, I ask our manager a simple question which was "how do you justify recommending this cut?"
- Asked the manager to explain his justification

County Manager Morris responded:

- Gave them the same amount per student as last year which compares very favorably with surrounding and like size counties
- They have lost hundreds of students and now one facility and they are still asking for more funding
- In the county, our demand is going up and in their situation it is going down
- Couldn't get an answer from them regarding the need for more funding with less students
- Used the formula that Finance Director Edwards and I came up that we thought was reasonable

Chairman Walker continued:

- Don't see a 5% increase or any type of a bonus in the recommended budget for our county employees
- We wish we had ample funds to fund everyone's needs
- It is hard taking that much funding to balance the budget from the Fund Balance
- You either cut expenditures and/or increase revenues or you allocate from the Fund Balance or increase taxes
- If we take funding from our Fund Balance and give more to the school which I would love to be able to do, we would need to start asking a series of questions about our budget
- Looking for the fairness and the balance to what is reasonable to give to the school at this particular time and be fair to county employees, citizens
- Where is the fairness and balance?
- If we give more funding to the school, we are adding to the county's financial problem
- We have some work to do regarding the county's finances
- What have I missed?
- Does anyone see it different than what I see?

Vice Chairman Booth commented:

- The shortage would have not been as much if the Board of Education had not increased their request
- Have to remember, the school system is losing children and closed down one facility
- Appreciate the effort the school system is making to try to take care of the shortage

Commissioner Walker commented:

- School enrollment has gone from 7,542 in 2005 to currently around 6,100 students with a projection that an increase would not be seen until 2020
- Commissioner Lankford has the most experience with school funding (school board member for 20 years)
- Would like to hear Commissioner Lankford's thoughts about the school budget/funding

Commissioner Lankford commented:

- I would support the \$200,000 for the chrome notebooks based on the same formula that we have been talking about
- We have funded the schools at a fair rate with a declining population and doing the best we can on the capital side

Chairman Inman questioned the Board, "Do you support funding an additional amount Of \$200,000 for the matching technology grant?"

The Board unanimously approved to add the \$200,000 to the manager's recommended Budget for school current expense for the matching technology fund.

Finance Director Edwards questioned if the allocation would be a one-time Appropriation?

The Board discussed the \$200,000 matching grant for chrome notebooks as a special Appropriation.

The Board unanimously agreed to fund the \$200,000 for the matching grant as a one-time Special appropriation for the use of chrome notebooks for South Stokes and West Stokes High Schools.

Commissioner Walker commented:

- We could have saved a lot of money if the school board had worked with county regarding the broadband which could have possibly been passed on to them

Chairman Inman requested which direction the Board desired to go now - positions, EMS, equipment?

Commissioner Walker confirmed with Finance Director Edwards that with the \$200,000 Added to the recommended budget and taking away the 2 cent tax increase, the allocation from Fund Balance is now \$3,226,082.

Chairman Inman noted he would like to throw this out for discussion which is something that I can support:

- Can support going to a 97.47% collection rate
- Feel this is a low risk item

The Board discussed increasing the manager's tax collection rate recommendation of 97% to 97.47%.

Finance Director Edwards noted:

- Would create \$317,906 additional revenue
- Would reduce the Fund Balance allocation to \$2,908,176

Commissioner Walker responded:

- Good with going with the 97.47% tax collection rate
- Noted the latest information from Raleigh is that the County could possibly see a 2-5% decrease on utilities revenue this upcoming year
- Not sure how this would impact the budget – could be a loss of \$117,000

County Manager Morris noted that he would check with Tax Administrator Oakley

Regarding the decrease in the utilities revenue before the next meeting.

Chairman Inman noted that the Board unanimously agreed to change the tax collection Rate in the manager's recommended budget to 97.47%.

County Manager Morris noted the bankruptcy situation with the hospital which could be A big issue next fiscal year.

The Board discussed possible unknowns about the hospital bankruptcy situation.

Commissioner Lankford noted that he was not ready to put a figure with the bankruptcy Situation at this time.

Vice Chairman Booth noted that \$40,000 from Animal Control and \$91,000 from an Error in the recommended budget could be added back thus reducing the Fund Balance Allocation.

Finance Director Edwards noted the allocation from Fund Balance currently stands At \$2,817,000 with the changes approved by the Board during this work session.

The Board discussed the financing of vehicles.

Commissioner Lankford noted that \$45,000 for the purchase of used vehicles in the Sheriff's Department is coming from Capital Reserve.

Commissioner Jones commented:

- We are taking approximately \$3 million out of Fund Balance with no tax increase
- We are at our threshold of 20% Fund Balance that should not go any lower
- Unless a miracle happens, what is going to happen next year?
- How do you expect to keep going like this?
- Next year, we are going to see ourselves looking at the Fund Balance

- We have lost Hold Harmless
- Lottery is not there like we thought for schools
- Don't see how this can be balanced long term and how this is fiscally responsible
- Going to end up like we were several years ago
- Have artificially low taxes
- Sitting here now and at 20% or below with our Fund Balance for FY 2016-17
- We know there may be a crisis with EMS
- Have not even added the hospital situation yet
- Next year, there will have to be a significant tax increase just to get by
- That is reality
- Walmart is not going to fix all these problems
- Feel like we are just kicking the can down the road, that is all we are doing

Commissioner Walker commented:

- It is worse than that
- It is not only as you described it and I agree with your observation, it is increasing every year
- It is getting worse progressively each year
- Very serious now and the outlook for the future is questionable

Commissioner Jones added:

- It will be a crisis
- Will remind everyone that last year we discussed a 5 cent tax increase which equated to \$50 on a \$100,000 property value
- I know people are on fixed incomes
- You are getting a big return on that \$50 increase with services, health care, etc.

Commissioner Walker commented:

- See a tax increase looming for next year
- Don't see any way around it unless we substantially dip into the Fund Balance that I would not be comfortable with
- It looks like we will have to increase taxes next year
- If we raise taxes this year and have to do it next year, that will be three consecutive years

Commissioner Jones responded:

- If we had had the guts to do it three or four years ago when we should have done it, we would not be facing the same situation

Commissioner Walker commented:

- Unless we change our financial situation this upcoming year, we know we are going to have to have a tax increase
- If we are going to have to have a tax increase next year, why do it this year and then do it again next year?
- Why not do it all next year?

Vice Chairman Booth commented

- We have not started cutting yet from the manager's recommended budget
- We need to look at cuts and then see where the Fund Balance is at then
- Think we have done good over the past years
- Fund Balance is in good shape right now
- Need to start looking at cuts – personnel and equipment to bring that Fund Balance down

Commissioner Walker commented:

- If we can make it through this year without a tax increase and then we can start working on it next fiscal year
- Trimming the budget, look for new revenues sources
- Goal for the year would be to be in better financial shape before the budget process starts next year

Commissioner Jones commented:

- If we only take \$2 million from Fund Balance, we are still going to be in the same situation next year
- Hold Harmless is gone and that amount can't be made up

Vice Chairman Booth commented:

- Hold Harmless has been gone for years
- Other revenues have made up some of that loss

Commissioner Jones commented:

- We have got to invest in ourselves
- We have no infrastructure to bring in big business
- Going to find ourselves in the same situation and same conversation year after year
- Have a new community college getting ready to open
- Who is going to be going to it?
- Even if they go to it, they will leave for better paying jobs somewhere else
- Concerned about our youth and student population
- Guarantee we are going to keep losing student population
- People are going to keep leaving for better paying jobs
- Got to invest in ourselves
- Got to spend money to make it, everyone knows that

Vice Chairman Booth questioned Commissioner Jones about spending money now?

Commissioner Jones responded:

- Have got to start thinking ahead
- Doing things to attract economic growth
- We talk a good game, but we have to start doing something now

Vice Chairman Booth responded:

- \$1.8 million going to broadband expansion
- A new community college
- New schools across the county
- If you have suggestions, I would like to hear them
- I have been hearing this six years
- I don't think that has anything right now to do with this budget before us

Commissioner Jones responded:

- Long term I think it does
- Agree with the broadband expansion

Commissioner Walker commented:

- Heard a comment at meeting about things that the County had tried that had not worked
- I noted the things that had worked
- Those days of hoping for a big industry coming to Stokes County that would employ 500 people is not an option
- Small businesses at home is where it is right now with existing businesses wanting to expand
- We have to catch up to where the times are
- If we want to keep thinking that business is like it was the last six years and nothing has changed much, we can keep thinking that
- If you look at where it is now and where it needs to be, we have some work to do
- People may need to change their thinking because if it has not worked before, what makes us think it is going to work now
- The broadband (\$1.8 million) is not all economic development, it is for our students, it is for our citizens
- It is to give our students a level playing field which is not Economic Development
- Another thing going on in the county is that people are leaving certain parts of the county
- But Some parts of the county are actually growing
- May have to close another school if things keep going as they are now
- We are changing inside the county itself
- All these things to me have impact on the budget, it is called reality
- Have some really soul type searching decisions to make
- The time of staking ourselves out and saying it has to be this way or that way for this part of the county or that part of the county, to whatever degree that has been in place, it is probably becoming a thing of the past
- If we don't work together and do a darn good job of working together in this county, whatever is a challenge today is simply going to be a bigger challenge in the future
- We have go to work together to turn this county around

Vice Chairman Booth commented:

- To add to what Commissioner Walker said about Economic Development, I am looking at the number of Dollar General Stores coming into the County – that is small business which is Economic Development
- Then we have Walmart coming which was brought into the county by the City of King
- Sheetz is in the county
- We are growing with small businesses
- Have the infrastructure in King and have not seen that big business come into the County other than Walmart
- We even have option on land ready for building – water and sewer
- I see movement in the County

Commissioner Walker commented:

- Confirmed with Finance Director Edwards that there was no information available regarding what amount of sales tax a Dollar General brings into the County

County Manager Morris noted that he had heard somewhere that a Dollar General takes

In approximately \$8,000 a day.

Chairman Inman commented:

- Have to remember that new businesses such as Walmart and Dollar General take away from other existing businesses in the County

Chairman Inman requested what other areas the Board would like to discuss before

Adjourning the Work Session.

Chairman Inman noted that Commissioner Walker would not be in attendance for the

Budget Work Session tomorrow.

Commissioner Walker commented:

- Personnel needs to be discussed, not sure if we have want to start discussion today with only a small amount of time left in today's meeting
- Also need to talk about deal breakers, what a commissioner has to have in the budget or what a commissioner can't adopt a budget if it is left in

Chairman Inman confirmed with Manager Morris that the custodian position at the Early College comes from the 4 cent school tax and that funding for new custodians for the community College will also come from the 4 cent school tax.

Commissioner Walker commented:

- Need to see how much support there is for the shift change (24/72) for EMS
- If that is taken off the table, there will be some work to figure out how to make EMS work without adding the new positions for the shift change
- Feel that needs to be dealt with as soon as possible

Commissioner Lankford commented:

- Made a personal commitment when I said that I wanted to keep services like they are today
- I am for staying with the 24/48 shift

Commissioner Walker commented:

- Think we need to see where everyone is at on the shift change and where we need to go if there are no changes

Vice Chairman Booth commented:

- If there are no changes made to the shift change, we stay as we are today

County Manager Rick Morris commented:

- EMS had another resignation today
- EMS currently has 4 vacancies
- Will be probably hiring from part time for the full time vacancies which then depletes his part time roster

Vice Chairman Booth commented:

- If you can't hire employees now, where would you get an additional 11 employees?

County Manager Rick Morris commented:

- It is not just adding 11 employees
- It is changing the number of hours they work to attract employees
- It increases the hourly rate because employees are working less hours
- Surrounding counties have already gone to 24/72 or will be going to 24/72 with the new budget year
- Other counties are paying time and a half for overtime for EMS workers
- Stokes only pays half time
- Changing to time and half would cost several thousand dollars more per year

Vice Chairman Booth questioned how the new exempt employee ruling for overtime will

Impact the county?

County Manager Rick Morris responded:

- County will have 18 employees that will have to be changed to non –exempt or their salaries will have to be increase to meet the minimum salary of \$47,000

- Those being changed to non-exempt will then be accruing compensatory time
- Will be bringing to the Board at a later date for discussion
- Some businesses are just moving the employees to the \$47,000

Chairman Inman noted the Board would definitely have to have a Work Session on June 28th.

Commissioner Lankford commented:

- I was asked a question and provided the Board with an answer, but did not hear any other Board member answer the question

Chairman Inman noted that there was not enough time for everyone to answer today so everyone be prepared to answer the question at the next Work Session.

Adjournment

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

Commissioner Jones 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