

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 23, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a recessed Budget Work Session (recessed from June 21, 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 Thursday, June 23, 2016 at 12:00 noon 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 21, 2016 Budget Work Session.

INVOCATION

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

Vice Chairman Booth delivered the invocation.

Budget Work Session

Chairman Inman commented:

- Need to get working on adopting a budget
- Will not have a perfect budget
- Need to decide how much this Board wants to take out of Fund Balance to balance the budget so we are down to the needs of the county

- For the most part, I feel the “wants” have already been taken out of the budget by the manager and staff
- Have some new revenues coming this fiscal year, but have a lot of unknowns with those new revenues such as the new sales tax
- We could get \$1.5 million from the new sales tax
- State budget has not been passed yet, so the Board of Education does not know what their funding will actually be

Chairman Inman noted that there were no more scheduled Budget Work Sessions and that any further sessions would have to be recessed from a prior meeting.

Chairman Inman noted that the Board has tentatively set aside June 28th for a Work Session if needed and that today’s Work Session could be recessed to June 28th.

The Board discussed a possible timeline for the remainder of June in order to adopt a budget.

Chairman Inman opened the discussion.

Commissioner Jones commented:

- I have made it very clear that I am not going to respond unless it deals with a tax increase
- We have three commissioners that have said no tax increase
- I respectfully ask that you three, who do not want a tax increase, to come up with a solution
- We are running out of time
- It is encroaching on my work schedule
- This county means more to me than work, but I do have bills to pay
- The taxpayers deserve for a budget to be adopted
- I am going to leave it to the three to come up with a solution
- I want our County stable
- It is not wise taking our Fund Balance for recurring expenses
- Feel it is fiscally irresponsible
- I know it is going to be this way so I am going to leave it to you guys to come up with a budget

Commissioner Walker commented:

- Would like to respond to Commissioner Jones’ comments
- Appreciate you sharing your thoughts
- Did not see that anything much was agreed upon during the last Work Session
- Only thing I saw was the reduction in the Walmart Sales Tax Revenue

- Chairman Inman and I had an interesting experience the first year I was on the Board
- We had two commissioners who were holding the line for revenue neutral which would have been a very substantial reduction in the tax rate
- We were both boards to not go that far in that direction
- It became clear that we had two commissioners one way and two commissioners another way
- Either pair needed that third vote
- Was a little bit surprised by the approach that two of our commissioners took
- Instead of trying to help work out the budget, I still felt that five of us should have been working together
- It is the whole Board's budget, once it is adopted
- Even though there are different views on whether or not there needs to be a tax increase, I still think it is important that all commissioners are involved
- There are certain things that each commissioner feels is important to be in the budget
- There is more in a budget than just deciding if there is going to be a tax increase

Commissioner Jones responded:

- I agree with that but I am not willing to cut
- For me, this budget is a carryover from last year
- Our situation is not that different and yet we are going to deny reality and kick this down the road
- With a clean minded conscious, I can't cut anything

Commissioner Walker responded:

- Respect your thoughts
- To me and I think I have heard the manager say this, we are no longer working on one year budgets
- Each budget that we work on is for at least two years
- You have to consider what is coming next year as we work on this budget and may be even years beyond that
- Where I am as far as a tax increase, I am acknowledging the fact that there is a 9-10 cent tax increase embedded in this budget
- You say you are willing to go 5

Commissioner Jones responded:

- I am willing to go more than that
- I was last year
- We have to see what the public can handle
- When you postpone it, you are going to make the sticker shock worse
- This should have been done last year
- Five is not enough but is surely better than what was recommended

Commissioner Walker stated that if you recall, I shared that position with you,

Commissioner Jones, last year.

Commissioner Jones stated that Commissioner Walker did shared that position with her.

Commissioner Walker commented:

- One thing that is important to me is the frequency of tax increases not just the amount
- I don't want to be remembered as the Board that increased taxes three years in a row
- I know next year that we are going to have to make some kind of adjustment
- My preference is to continue to look at how we can cut expenses
- I know we are at the point that we have cut out the wants and now we have to look at cutting out some of the needs
- This is a financial emergency for this county

Commissioner Jones responded:

- It is a self-imposed crisis because of postponing what needs to be done to stabilize our county – that is what it is

Commissioner Walker responded:

- The crisis has been looming

Commissioner Jones responded:

- Why don't we embrace it and do something about it
- You have made your minds up, it is your budget
- You have the vote, the three of you
- I am not voting on any cuts

Commissioner Walker responded:

- You will not know totally what my vote is until I make it

Commissioner Jones responded:

- True, but I can see how this is going

Commissioner Walker responded:

- Nor will anyone else

Commissioner Jones responded:

- You have said it over and over
- It is obvious what the thought process is

Commissioner Walker responded:

- Preferences

Commissioner Jones responded:

- You say things without coming right out and saying them, but I hear what you are saying
- You don't want this budget to have a tax increase
- You want to postpone it to next year

Commissioner Walker responded:

- I am one of five votes, just like you
- It depends on how the other commissioners align themselves when it comes time to vote
- Also Commissioner Jones, I think there is still work to be done on this budget
- I don't think that our County can financially handle a 5% increase in a budget in one year
- I think we have got to explore options
- This is my view

Commissioner Jones responded:

- We have had work session after work session and no options have been explored
- I think we need to get busy
- We are running out of time

Commissioner Walker noted he was ready to get started the meeting before last.

Chairman Inman commented:

- The Board did identify some things at the last meeting, but the Board really felt like we didn't want to make any decisions without the full Board here
- We were not postponing things
- We were in agreement to change the tax collection rate to 97.47%
- We reduce the Walmart sales tax revenue down to \$125,000 because the delay of the opening is now Spring of 2017
- We agreed on the \$200,000 for the chrome notebooks which you had stated earlier that you did not have a problem with providing the \$200,000 for the chrome notebooks
- We have zero as a tax increase
- This Board now needs to decide what needs to be taken out or added to the manager's recommended budget

Commissioner Walker noted that he had no issues with the tax collection rate and the change in the Walmart sales tax revenue to \$125,000.

Vice Chairman Booth commented:

- Don't think I have heard how Chairman Inman feels about a tax increase

Chairman Inman responded:

- You heard what I said about a tax increase
- I said the same thing that I have always say, an absolute last resort
- Last resort

Vice Chairman Booth commented:

- Back to the 5% increase in the recommended budget
- Can't see adding 20 new employees
- When I came on Board, 16 employees were cut during a budget
- It is coming down to what we are going to cut

Commissioner Lankford commented:

- The way I look at the budget is as follows:
 - We start the revenue portion at \$44,926,606 – the FY2015-16 budget
 - On the expenditure side, had an increase of approximately \$265,000 – insurance
 - The expenditure built in for longevity, etc., running the government is approximately \$232,500
 - As far as I know we have a personnel freeze that has never been lifted
- Questioned Finance Director if the \$232,500 amount is right for the longevity and running the County?

Finance Director Edwards responded:

- The only calculation requested was the increase from last year to this year with all the personnel and equipment taken out which as \$855,861 (recommended budget less the recommended personnel and equipment)
- Don't have it separated out

Commissioner Lankford continued:

- Have made the following commitments
 - \$200,000 to schools for chrome notebooks
 - \$600,000 to the hospital
 - \$600,000 for broadband
 - Discussed an amount, yet determined, for the Francisco School (think manager's recommended budget included \$35,000)
- With all these noted items, I think it would be a budget that I could vote for

Chairman Inman directed the Finance Director to total the numbers provided by

Commissioner Lankford, all but the \$600,000 for the hospital – that amount is in the current Fiscal Year budget.

Finance Director Edwards responded:

- The estimated budget per Commissioner Lankford directives would be \$46,259,106 with \$1,332,500 being taken from Fund Balance

- Remember in last year's budget, \$2.2 million was allocated from Fund Balance

The Board discussed Commissioner Lankford's recommended budget figures.

Commissioner Lankford commented:

- This recommendation does not add any new employees, keeps staff as it is currently

Chairman Inman requested what the Fund Balance would be if \$3.1 million was taken out and if \$3.9 million was taken out?

Finance Director Edwards responded:

- Estimated 19.59% taking out \$3.1 million – no tax increase
- Estimated 17.63% taking our \$3.9 million – no tax increase

Chairman Inman noted that per Tax Administrator Oakley, the County should see approximately a 3% revenue with the upcoming Revaluation.

Commissioner Jones commented:

- Citizens will see a possible 3% revaluation increase along with a tax increase next year

The Board discussed possible revenue from the upcoming Revaluation.

Vice Chairman Booth commented:

- Confirmed that Commissioner Lankford's suggested budget did not include any personnel and equipment that was recommended by the county manager
- Noted some of the personnel recommended by the county manager is scheduled to start at a later date thus making the recurring cost more the next fiscal year

Finance Director Edwards commented:

- The manager's recommended budget finances \$776,296 for equipment
- Other equipment funding was coming from General Fund, Capital Reserve, and Fees

County Manager read from the budget message regarding the recommended personnel.

Commissioner Walker commented:

- If we make adjustments to the manager's recommended budget, it is my understanding that we can come back later in the year (after July 1st) and make adjustments if deemed appropriate by approving a budget amendment for such things as needed equipment

County Manager Morris commented:

- We have just got an ambulance that was ordered last October
- Have another recommended in the FY2016-17 Budget that is sitting at the manufacturer with our name on it (\$185,000)
- If we tell them that we don't want it, there are plenty of people standing in line for it
- If we don't take the ambulance that has our name on it, ordering one would take nine months lead time and the price will be \$10,000 more plus 2% added to the \$185,000

Commissioner Walker questioned about the Sheriff's Department equipment that was recommendation in the budget?

County Manager Morris responded:

- If he doesn't get any vehicles this year, it just gets him further behind in the vehicle rotation

Commissioner Walker confirmed with Commissioner Lankford that his recommendation does not include any equipment.

Chairman Inman requested information from Finance Director Edwards regarding the amount of loan payments expiring this upcoming fiscal year.

Chairman Inman noted years when equipment (vehicles) was not approved in a budget and how the County fell behind in the vehicle rotation.

Vice Chairman Booth noted that during his six years on the Board, vehicles had been ordered every year.

County Manager Morris spoke briefly about costs of repairs on aged vehicles.

Finance Director Edwards commented:

- Loan payment of \$98,333 will be coming off with FY 2016-17 and the payment for the \$773,296 being financed, would not come due until FY 2017-18

Commissioner Lankford requested information regarding what the \$773,296 which is being financed included?

Finance Director Edwards responded:

- (1) Ambulance for EMS

- (4) defibrillators and associated equipment for EMS
- (5) Ferno Stretchers for EMS
- (1) Vehicle for Jail
- (6) Vehicle for Sheriff's Department
- (1) Front end alignment machine for Vehicle Maintenance

County Manager Morris noted:

- If you are cutting equipment, it would be better to eliminate the equipment (stretchers, defibrillators/associated equipment) before the ambulance

Commissioner Jones noted that her understanding was that the Ferno Stretchers would be helping to prevent worker compensation claims thus saving county dollars.

Commissioner Jones continued:

- Understand a vast majority of the worker compensation claims come from back injuries from lifting heavy patients
- Is it wise to remove that from the budget?
- Have to remember the unknown status of the hospital

Commissioner Lankford commented:

- I can agree to go along with the purchase of an ambulance – need to keep good ambulances

The Board discussed the four wheel drive ambulance being recommended this year.

Chairman Inman requested Manager Morris to discuss the equipment requested by EMS.

County Manager Morris commented:

- The Air TraQ Camera is a risk reduction
- The Cooler keeps the department from having to throw away medicine
- The remaining equipment is to get our back up ambulances up to date
- Currently, the employees have to transfer equipment when an ambulance goes down
- State requirements are getting stricter
- May have to do one of those budget amendments if inspected by the state

Commissioner Lankford commented:

- Going with the Manager's recommended budget gets the Fund Balance down to approximately 17.63% which is too critical for this county
- Could go with the 19.59%, but would like to go to at least 22%
- Keeping the same quality service and have the Fund Balance at 19.59% is manageable budget

Commissioner Walker commented:

- Like the sound of some things that I am hearing, there is some wisdom and good judgment being applied
- Still trying to connect more of the pieces as we go along
- Hoping if we used the approach recommended by Commissioner Lankford, there would be more of a significant reduction

Commissioner Lankford noted equipment could be approved at a later date.

The Board discussed the equipment recommended by Manager Morris.

The Board discussed only purchasing one ambulance at this point.

County Manager Morris noted that insurance and longevity are structurally built in at about 1%.

Commissioner Walker commented:

- At this point, I am processing all the information being presented
- I have expressed preferences, my views
- Collectively, we still have a lot of work to do

Chairman Inman noted:

- Commissioner Lankford's recommended budget is \$1,332,500 more than last year's budget which is a 2.96% increase

Commissioner Walker confirmed with Commissioner Lankford that his recommendation did not include any personnel or equipment at this point.

Commissioner Walker confirmed with Commissioner Lankford that he could go with approving one ambulance.

Commissioner Lankford commented:

- Doesn't make a lot of difference, but in my recommendation I reduced the Walmart sales tax revenue from \$125,000 to \$75,000

Chairman Inman noted that he would not argue with reducing the sales tax revenue for Walmart.

Commissioner Walker commented:

- The main expenditures as I see it is the salaries and benefits
- The best thing we can do is find more revenue sources
- We can't keep raising the taxes

Commissioner Jones commented:

- We all agree with that

Commissioner Walker commented:

- There is some funding in this budget for Economic Development

County Manager Morris noted that at some point, the Board needs to discuss the recommendation from the Economic Development budget.

Commissioner Walker commented:

- Surely that would stay in the budget

County Manager Morris noted the new position would have to be competed.

Commissioner Walker commented:

- Think this is one of the most challenging budgets that I have been involved with

Commissioner Lankford commented:

- Totally agree

Commissioner Jones commented:

- I think you both sound like scratched records
- Every year, it is the most challenging budget ever

Commissioner Walker commented:

- The manager's recommended budget shows having no Fund Balance to use next year
- Have lost about 2,000 citizens from 2010 to 2014
- Have probably lost another 1,000 since 2014
- We have enjoyed reasonable taxes for a number of years
- Becoming harder and harder each year
- We have got work to do
- I think what I am saying does apply to future budgets

Chairman Inman noted that Commissioner Lankford has no personnel in his recommended budget.

County Manager Morris commented:

- Tax Administrator Oakley has stated that if he does not get the part time contractual worker, he can't the Revaluation done

Commissioner Walker commented:

- Could possibly contract with Danny Nelson which could be approved at a later date

County Manager Morris responded:

- Not unless the Board appropriates funding

Finance Director Edwards commented:

- The estimated amount provided for Commissioner Lankford's budget could change because with cutting out all personnel and equipment, it changes the revenues also

The Board continued discussion regarding the Fund Balance going down to 17.63%.

Commissioner Lankford commented:

- Reiterated that he could not go with taking the Fund Balance down to 17.63%
- Don't think there is a commissioner sitting at this table that wants to take the Fund Balance to 17.63%, if so, I would like to know it

County Manager Morris reiterated that the Local Government Commission is going to start looking at the amount being used by counties to balance their budgets.

Chairman Inman requested Finance Director Edwards to see what amount would have to be taken from Fund Balance with an estimated budget of \$46,259,106.

Commissioner Jones commented:

- Very concerned about next year
- Need to discuss pay gaps
- Have no Fund Balance for next year to help out

Clerk Bullins confirmed with Commissioner Lankford that if staff took the manager's recommended budget and took out all personnel and equipment, then added the \$200,000 back for chrome notebooks then it would equal his original budget recommendation.

Commissioner Walker noted that the recommendation from Economic Development Committee has to be in the budget before I can go along with any budget.

Vice Chairman Booth commented:

- The budget recommended by Commissioner Lankford (\$45,531,810) is only dealing right now with expenditures

Commissioner Lankford commented:

- The Economic Development position existed last year and has existed this year
- Don't know why it can't continue to exist as it currently is existing

Commissioner Walker responded:

- The person in that position has been used in several other departments

Commissioner Lankford responded:

- Agree with Commissioner Walker, the person in the position now has been used in several other departments, so I don't know why we can't continue to use him in that position?

County Manager Morris commented:

- Would need to talk to you about this in Closed Session

The Board agreed to discuss the personnel issue in Closed Session at Monday night's regular meeting.

Commissioner Walker questioned what needs to be done to make sure it is in the budget?

Commissioner Jones exited the Budget Work Session at 2:00 pm.

Finance Director Edwards provided the Board with the requested information regarding

Commissioner Lankford's recommended budget:

- Using the information confirmed with Commissioner Lankford by Clerk Bullins, the budget would be \$45,531,810
- Would need to use \$2,435,000 from Fund Balance leaving the Fund Balance at 20.82%
- If you take the \$600,000 that was appropriated for the hospital, it will take the Fund Balance down to 20.56%
- If you use the manager's recommended budget, the Fund Balance would be 19.07% with the hospital appropriation of \$600,000 included

Chairman Inman noted the estimated budget of \$45,531,810 does not include an ambulance which would not impact the budget that much since it is financed.

Chairman Inman noted it was the consensus of the Board to include an ambulance in Commissioner Lankford's recommended budget.

County Manager Morris noted that these estimates would need to be recalculated to make sure they are correct.

The Board discussed different scenarios with the Fund Balance percentages.

Commissioner Walker commented:

- Confirmed with Chairman Inman that he was in favor of Economic Development

Chairman Inman responded:

- If you are going to increase revenues, you have to Economic Development
- If you depend on Ad Valorem taxes, you can't sustain a budget
- Have said this repeatedly, a budget that depends so heavily on Ad Valorem taxes can't sustain itself; can't sustain even the same level of services

Commissioner Walker commented:

- Even residential with growth is not sustainable because our population is actually declining

Chairman Inman responded:

- Even with residential growth, it will not sustain it because you so heavily depend on it and you have to go back to Mr. Taxpayer every time you need something
- There is some light at the end of the tunnel but is it enough to offset to get you back to more of a balanced budget in revenues and expenditures – that is the big questions
- If you are going to increase revenues, you have to Economic Development
- If you depend on Ad Valorem taxes, you can't sustain a budget

Vice Chairman Booth commented:

- Bottom line – two cent tax increase took care of the salary increases that were adopted
- This year the two cent takes care of the new positions
- We are increasing taxes to take care of the additional employees

Chairman Inman noted that he would continue as long as it was productive, but it looks like we have maxed out unless there are other recommendations to consider.

Vice Chairman Booth commented:

- Would like a clarification on a previous answer
- We are all for Economic Development
- I think Commissioner Walker was speaking specifically about the Economic Development Committee 's recommendation when he questioned the Chairman about Economic Development

Chairman Inman responded:

- Any time I make an investment, I want to make sure there is a return on that investment
- The question is if there is any expected return on that investment

- I think we have to ask ourselves

Vice Chairman Booth responded:

- Think you have to look at what return we received last year on what we done and what we expect to receive this year

Commissioner Walker responded:

- Everyone knows where I am on the Committee's recommendation
- I think that is a compromise and an absolute minimum effort on the part of the County

Chairman Inman noted we needed to work on that.

Commissioner Lankford commented:

- Would request the Finance Director put all the numbers related to his recommended budget for the next meeting

Chairman Inman commented:

- Have to point out that we are running out of time – the end of June is quickly approaching
- As Commissioner Walker stated, if this Board adopts a budget you can always do a budget amendment
- Can amend anything other than the tax rate
- Want to go on the record saying that I really think it would be irresponsible not adopting a budget
- We have all had this information in front of us for a long time
- We know what our finances are now
- We will all respect each other's decisions to come up with a budget that a majority of the members want to adopt
- That is the way it works
- Would like for everyone to be prepared to stay on the 28th until we get a budget

Adjournment

There being no further business to come before the Board, Chairman recessed the Budget

Work Session until June 28th at 10:00 am.

Darlene M. Bullins
Clerk to the Board

J. Leon Inman
Chairman