

STATE OF NORTH CAROLINA)
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COUNTY OF STOKES)
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OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
MARCH 6, 2017

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Goals/Budget Work Session in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Monday, March 6, 2017 at 10:00 am with the following members present:

Chairman Jimmy Walker
Vice Chairman Ernest Lankford
Commissioner James D. Booth
Commissioner Ronda Jones
Commissioner Ronnie Mendenhall

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

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

INVOCATION

Chairman Walker asked Vice Chairman Lankford to deliver the invocation.

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

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

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

GENERAL GOVERNMENT – GOVERNING BODY – APPROVAL OF AGENDA

Chairman Walker requested to add the following item to the March 6th Agenda:

- Jazmine Kilpatrick, Membership Development Officer
Local Government Federal Credit Union

The Board had no issues with adding the request from Chairman Walker.

Chairman Walker entertained a motion to approve or amend the March 6, 2017 Agenda.

Commissioner Booth moved to approve the March 6th Agenda as amended.

Commissioner Mendenhall seconded and the motion carried unanimously.

Local Government Federal Credit Union

Membership Development Officer Jazmine Kilpatrick provided the following information about the Local Government Federal Credit Union:

- Appreciate the opportunity to speak to the Board today
- Appreciate what you do, as a commissioner, for your county and country by serving in an elected capacity
- Local Government Federal Credit Union is a separate entity from State Employees Credit Union and has an ongoing contract with the State Employees Credit Union to utilize their branches and employees for our services
- Local Government Federal Credit Union is specific to only local government employees, municipalities, elected and appointed officials, volunteers and their families
- Fourth largest credit union
- Have \$1.6 billion in assets
- We do community relations events something separate that the State Employees Credit Union does not do
- Can be a member of both Local Government and State Employees Credit Unions – advantages to being dual members
- Local Government Federal Credit Union partners with the School of Government in Chapel Hill – offers scholarships for classes and workshops
- Will continue to work with Darlene in offering services to the employees

Chairman Walker opened the floor for discussion/questions/comments.

Commissioner Booth confirmed with Clerk/Personnel Officer Bullins that employees are informed about membership with the Local and State Employees Credit Unions when they are hired.

Chairman Walker expressed appreciation to Ms. Kilpatrick for her attendance at today's meeting.

Goals/Budget Work Session – Open Discussion

Chairman Walker opened the floor for discussion regarding goals.

Commissioner Jones commented:

- Would like to see the Fund Balance not go below 20% again this year – would like to have it at 24%, but not sure we can manage that unless some new revenue is found
- Would like to be more marketable with other counties in terms of pay raises because we have a lot of people getting ready to retire – will have to hire new people – would like to choose someone, not just hire someone
- Want the Board to be fiscally responsible in order to move forward
- Will stop at that for now

Commissioner Booth commented:

- Would also like to keep the Fund Balance around 20%
- Believe the last information that I received, the Fund Balance was around 28%
- Would like to see a fiscal, conservative budget without growing the government
- Would like to see a COLA for county employees in this upcoming budget; county employees did not receive a COLA last year
- Two years ago, four departments received a three-grade increase with all other departments receiving a one-grade increase
- Know each budget normally has a 1- 2% automatic increase
- Would like to see the budget with only the 1-2% increase this year
- Know that with Walmart coming on board March 15th, it is going to be a great benefit for the county
- Need to look at the sales taxes very closely to see the amount of increase from the new distribution method
- Board did a good job approving a budget with no tax increase last year
- Each department did receive some capital in last year's budget
- It is about not growing government and being fiscally conservative
- These are a few of my goals

Commissioner Mendenhall commented:

- Some of my thoughts have already been stated by Commissioners Jones and Booth
- Confirmed with Finance Director Julia Edwards that the General Fund Balance as of 06-30-2016 was 29.73% which does not include the Dedicated Fund and Title XXIX
- Always have to remember that we have to remain fiscally responsible
- Confirmed with staff that county employees did not receive a COLA or bonus last fiscal year (2016-17)
- Always looking at the employee retention especially at the ones that we know would be hard to replace – some positions are much more difficult to replace than others
- Always looking for economic growth – Walmart for example
- That is what I have for now

Vice Chairman Lankford commented:

- First goal – no tax increase
- Keep the Fund Balance at 25%
- Getting tired of using the Fund Balance to balance the budget – it is ridiculous to keep on using Fund Balance to balance the budget year after year
- Continue to keep the hiring freeze on
- The way I see the Board doing the budget this year is by collecting all the information that we can about revenues
- Have new revenues coming into the county – distribution of sales tax and Walmart
- Hoping everyone in Stokes County will patronize the new Walmart in Stokes County
- Lot of things that need to be fixed such as the Animal Shelter – find a way to get dog tags on all the dogs in the County
- Look at all departments, specifically those that have been getting the majority of the revenue – just can't keep on building a department's expenses that get greater and greater every year
- There is a lot of things that I will be looking for this year
- Will not support things that grow government in Stokes County
- Was elected to represent the people and not certain groups
- I am not planning on representing certain groups
- This is sort of where I am right now

Chairman Walker commented:

- Pretty good mixture of thoughts from my fellow commissioners
- I am going to take a little bit of a different approach
- I am not going to talk about the budget right now, I am going to talk about goals for the County
- Vice Chairman Lankford did a good job describing where we are headed with the budget emphasizing the lack of revenue to a group of people recently
- Feel we run the County very frugal
- It is not the expenses every year that makes the budget tough to work with, it is the revenues –lack of
- Whatever we have been doing has only been working to some degree because every year we continue to put the burden of operating the county more on the backs of the hard working taxpayers than maybe we need to be doing
- If we are not trying to find more revenues, who is doing it?
- Whose responsibility is it for finding more revenue, if it is not the Board of County Commissioners, whose is it?
- When a citizen asked what is being done about more jobs in the county, more businesses, stronger commercial base, who is the finger pointed to – the Board of County Commissioners
- One goal that I have that is short and long term is how can we respond to the needs of the county (those being identified by our citizens – more jobs and businesses) – how can we best address those needs?

- Some things that I have thought of are – more business organizations in the county like business groups, countywide Chamber of Commerce - most counties have a Chamber that includes the entire county
- Only have one in a municipality that won't turn you down if you want to join to be a member of their city chamber
- Not sure how the Board can play a part in that
- Have one part of the County that tends to keep approving residential growth
- Might be some other stores coming once Walmart opens
- Don't know if anyone really had anything to do with getting Walmart here
- Will probably get some out parcels from Walmart coming to Stokes County
- Revenue from Walmart will impact about 1.5% of our budget which is not a killer amount – it is a good start
- When I look back, there were some Boards that did some things for economic development that have not been done lately – actually doing spec buildings – had a separate office for economic development – had an economic development director who actually travelled around trying to get companies to come to Stokes County
- Not sure how well it would have eventually worked if we had kept going in that direction
- City of King does not turn businesses away, but I don't see them going out and getting new businesses, they are approving housing developments
- Just approved new apartments behind Auto Zone
- County is responsible for providing certain services like education
- What is the identity of Stokes County? – How do you answer that question?
- Is it a bedroom community? If so, is that where we are going to stay? Is that what our citizens want?
- I hear they want jobs in the county
- Community college is a good start for more jobs in the county
- The Trades Center is a very good move which will help to create jobs
- Where do we go from there – the next step?
- Schools are doing a good job and very strong in agriculture
- We have a beautiful county, have great people, have six miles of interstate, have natural gas, have railroads, have electricity, have 50 miles of one of the prettiest rivers in the state, have a state park with over 500,000 visitors a year - we are not missing much
- Could keep going on – Stokes County people have a good job ethic
- Have so much potential to use, but the question is how well are we using it?
- Will stop there

Vice Chairman Lankford commented:

- Would like to rebuttal a little bit
- What you said about Stokes County is true, but there is one thing that is missing that other counties have that catches all the businesses – that is interstate roads
- We don't have enough interstate roads – only have 6 miles
- I know it is a start, but you have to be realistic
- If you want to look at a growing area – look at Kernersville who has two interstates

- Growth today is around the interstates
- Large businesses are not coming to Stokes County because of transportation
- Businesses are looking for large parcels of land right on the interstate
- We need to acknowledge the reality that we don't have enough interstates
- You are not going to have major growth without roads – it is just not going to happen
- You may have some small businesses around the intersection of #66 in King
- Our growth is going to be small businesses
- After Walmart and a few other things connected with Walmart happens, it does not leave many large parcels of land

Chairman Walker questioned Vice Chairman Lankford about tourism?

Vice Chairman Lankford responded:

- Tourism is just tourism
- Have a lot of tourism but it is associated with Hanging Rock State Park – one has to acknowledge that
- State estimates 600,000 people come to Hanging Rock State Park each year
- Stokes County is being rated by NC Department of Commerce regarding those 600,000 people coming to the park
- Have to look at how much they spend - \$5, \$10, \$20 or nothing
- If they spend money in the park – that is state monies
- We don't have major sites like other cities and counties – sites that people would drive 2 hours to see
- Don't have anything to entice people other than the fall leaves and they go to the state park to see those

Chairman Walker commented:

- Questioned Vice Chairman Lankford what he would you like to see?

Vice Chairman Lankford responded:

- Would like to see a growth in small businesses because that is where our growth has got to be
- No use to think about large businesses

Chairman Walker commented:

- Don't really think anyone is thinking about large businesses coming to the County

Vice Chairman Lankford responded:

- Have tried tourism for five years and I have seen nothing happen yet

Chairman Walker responded:

- Depends on who you asked, a lot of people say we get a large sum of money from tourism

Vice Chairman Lankford responded:

- You have to settle down and think about reality

- Reality is the big picture
- Not going to have big business, sports teams, etc.
- People can sit around and wish
- Need to be honest and understand that we are not going to get large businesses
- Probability of us getting large businesses are probably slim to none
- Have Hanging Rock State Park which draws people to the County
- Need to look at how much is being collected from tourism

Chairman Walker questioned the Board what they would like to see over the next five (5) years compared to how it is right now? Want anything different? Satisfied? What would you like to see?

Commissioner Booth commented:

- Would like to rebuttal a little bit too
- Great things have happened in Stokes County over the past 6.5 years
- Have only one commissioner that has not been on the Board during the past 6.5 years, but has seen the school construction that has been done
- County officials and staff have worked hard to move Stokes County forward
- Just want to mention – we have done these great things with no tax increase and no big business
- We have 6 miles of interstate, have internet, have roads, and a new community college
- We have land that the county has options on in the King/Pinnacle area that is ready for big business
- It has not happened yet and don't know if it will ever happen
- Expenditures versus revenues
- Have accomplished a lot over the years with new revenues for example Walmart – distribution of sales tax, Dollar General Stores throughout the County
- If we had not accomplished a lot with our revenues, we would not have been able to build schools, build a community college, and build up the Fund Balance
- We are estimating revenues from Walmart at approximately \$800,000, revenues from the new distribution of sales tax at approximately \$1.2 million, and I would estimate revenues at approximately \$600,000 from Dollar General Stores with possibly more stores coming to Stokes County
- Believe the City of King had a great deal to do with Walmart coming to Stokes County, if not, it would have been across the line in Forsyth County – that would have meant a loss of approximately \$800,000

Chairman Walker noted that he had lobbied the King City Council to get that Walmart in Stokes County.

Commissioner Booth continued:

- Believe the King City Council worked to get the Walmart in Stokes County

- Understand that you need interstates to bring in business, but look at the facility in Asbury – we have a business now without the big roads
- If there has been any growth in businesses over the last 15 years, it should have been in King because of the infrastructure that is already there – until Walmart – nothing had happened
- Love to see people come to Stokes County to see our beauty, but they only stay for a few hours
- Believe people coming to the State Park from out of county, bring their own supplies and have their tanks full of gas
- I know the Finance Director gets tired of me asking about the tourism dollars
- I know that June, July, August, & September should be our best revenue months
- When I look over those months, I don't see that much of an increase
- Tourism can help small local businesses some

Vice Chairman Walker commented:

- You might have a person come to the State Park and decide they want to start a small business in Stokes County

Commissioner Booth continued:

- One example is the business – General Store – near the park entrance
- It was opened for only a short time and then closed
- The building has been up for sale for over three years
- There is only about a six months window for tourism
- Six months will not keep a business going

Commissioner Jones commented:

- Have been listening to the comments
- Agree with some and disagree with some
- There is a little story behind that business near the park – person no longer financially needs the business and wants too much for the building
- Believe it could do well in the area if a person could get the building at a reasonable price
- Tourism is not dead, it takes sometimes longer than 5 years to get things off the ground
- Those places that do good with tourism also budget for tourism because they know it is a big revenue item
- The bottom line is that we have got to have a little of everything
- It is great to have small businesses, we need businesses that feed into the State Park and tourism – the revenue is there – kind of like “if we build it, they will come”
- Green Heron is doing just fine
- Tubing is doing great
- We do have the beauty in the county that we don't want to lose
- We could do some marketing to expand tourism
- Definitely do not think that tourism is a waste of time

- We just need to have some places for people to spend their money when they do come
- Agree we are not going to get the big businesses because we don't have the roads
- Agriculture is strong in Stokes County and do think that the community college is going to make a big difference with that as we get our new entrepreneurs updated to new farming practices – we are going to year around farming

Chairman Walker commented:

- According to Willis Overby, there are more farms in Stokes County today than any other time in history

Commissioner Jones responded:

- That may be true
- There are a lot of small farmers

Vice Chairman Lankford responded:

- I would question that statement

Commissioner Jones continued:

- The Arts Place is opened now which I think will make a huge difference
- Have a new coffee shop

Chairman Walker commented:

- One thing that I think is going to make a big difference that no one has mentioned so far is high speed internet

Commissioner Jones commented:

- Should be turned on in April which will be huge especially for the entrepreneurs
- What is discouraging is that people do want to continue to use Stokes County as a bedroom community
- Property taxes are what we depend on
- I realize that King is bringing more revenue, but they are bringing more people that adds to the school system
- One of our biggest challenges is to turn things around and not depend on property taxes

Chairman Walker commented:

- When I was associated with the King Council, every time a proposal came before us, my first question was always "Is this really needed?"
- I would question if we are getting out of balance, if we were getting too much low cost housing and not enough high cost housing
- That is what it is
- Might need to consider having a discussion about it

Commissioner Jones continued:

- Thinking about what Vice Chairman Lankford stated about departmental expenses

- Thinking about reality
- Our population is getting older – more services needed
- Some departments just have a higher cost of operation than others
- It is not something that we can fix today

Vice Chairman Lankford commented:

- Been talking to some real estate agents, you are going to start seeing many, many signs posted - land for sale, it has already started
- The reasons for this is:
 - Timber has been cut and nothing else to do but sell the land
 - Only way you can sell large parcels is to break up the land into small parcels
 - Real estate agents are telling me that they are getting a lot of inquiries from out of state
 - Believe we will see more and more retirement people coming into Stokes County

Chairman Walker commented:

- Those people coming in vote and get involved
- Things will change in this county

Commissioner Mendenhall commented:

- I have listened very carefully to what everyone is saying
- Have to face reality and think out of the box
- Nationally, everyone is thinking about infrastructure
- Also believe there are not big plots of land for big business to come into Stokes County
- Another thing is that Stokes County does not have shovel ready land
- You have #52 running through King which helped bring in Walmart
- Walmart usually brings in about 4 stores – Lowes, Cookout, Chick A Filet, etc. – look at University
- Got to continue to work with our current businesses
- The new Petree facility has just been added on Highway #311, but when you look between the Rockingham County line and Walnut Cove, there are no other businesses except for Wieland Copper
- You have about 14 restaurants in Walnut Cove; it is hard to sustain that many restaurants in that small of an area
- Town of Walnut Cove only has the small businesses
- Have went from three banks to one bank in Walnut Cove

Chairman Walker noted the closing of his son's optometrist practice in Walnut Cove due to the lack of patients.

Commissioner Mendenhall commented:

- Everyone knows that Dr. Dehart bought up a bunch of land and buildings years ago that the family still owns

- Most of the buildings are run down and not occupied
- People in Walnut Cove want their town to look nice but realize there are barriers that keep that from happening
- Look at the growth in Germanton – Landscaping, Dollar General, Maintenance Shop, and Storage Facility
- There are things that we must realize that stop us from accomplishing some of our goals
- We have to look at some of the things that we do have and work off those things
- Have to realize our limits
- I would agree with Vice Chairman Lankford regarding the number of farms today
- When I was growing up, everywhere you looked, there was a farm – don't see that now

Commissioner Booth commented:

- Ten acres is a farm now
- So you can take that a large 100,000 acre farm and split it up into 10 small farms
- That could be why Willis Overby make the statement about the number of farms in Stokes County

Commissioner Mendenhall continued:

- That is what is happening in Stokes County, especially on the northern side, they are cutting up the large farms and making many small farms
- Know people who came into the school system from up north
- Selling a small house and lot in Maryland/New York for about a \$1 million and coming here and buying a house with acreage between \$250-\$300,000
- Believe that will continue to happen
- There are barriers that we realize
- It is outstanding to have a 29.73% Fund Balance
- Talked to a lot of people while I was campaigning
- Lot of people want to see economic growth, revenue producing along with jobs
- Think that you have to remember what it takes to get economic growth with revenue

Commissioner Jones commented:

- Just want to expand on a couple of things
- Here is some food for thought
- I shared some of this information with the Board a few meetings ago that I got from an environmental conference
- Thirty years from now, above Stokes County and below Stokes County, there is going to be a huge highway with lights, lights, lights
- This is the only dark spot that there is going to be
- I see that as financial money
- There are people out there that are going to be craving to visit Stokes County
- Not to harp on tourism, but we need to get our ordinances in place to keep our place in the dark so that people can continue to see the stars
- We can make money just being who we are

- That is why I keep harping on new structures – need to build facilities that look good with our environment
- Take for example, Dollar General will build what we want if we just ask them, we never ask them, we just let them build what they want
- We need to think about 30 years from now

Chairman Walker commented:

- We need to think outside of the box
- Need to see what can be done with non-producing farms such as a solar farm

County Manager Rick Morris presented the following power point presentation to the Board:

Briefing Overview

- Purpose
- Budget Assessment
 - Major Facts Bearing on the FY 2017/18 Budget
 - Budget Realities
- Overview of County Debt Commitment
- School System Funding
 - Current Expense
 - Capital Funding
- County Departmental Budget Analysis
- Graphic View of Where We Stand
- Budget Guidance Questions for BOCC
- Summary

County Manager Morris noted:

- Would leave it up to the Board to answer the Budget Guidance Questions
- Would ask this year, if the Board chooses to answer the Budget Guidance Questions, do so in a motion (with a vote) individually so that I have a solid board position on what the view is on each individual question

Purpose

- The purpose of the budget guidance work sessions is to address major budget issues early in the budget process so the county manager can provide the department heads and other stakeholders budget guidance to be used in the preparation of their FY 2017/18 budget submission to the county manager
- The sessions should also provide guidance to the county manager on overarching budget issues and goals not directly related to individual county departments

County Manager Morris commented:

- Would be happy to hear any new practices from our new commissioner who has done this type of work with a larger budget

Budget Assessment

- Major Facts bearing on the FY 2017/18 Budget
 - Workload of many county departments increasing
 - Loan for Community College and Jail Expansion is complete
 - County budget has built-in structural increases between 1 and 2 percent
 - Longevity, medical/dental/vision insurance
 - Recurring cost increases such as energy costs and operating supplies
 - Minimum level of vehicles, equipment and software must be funded each year to operate
 - School System Fund Balance is now depleted; \$100,289 on hand per audit
- Good Budget News
 - Revaluation revenue partially recovered
 - QZAB/QSCB restriction lifted for FY 2017/18 but should be watched in future
 - New sales tax distribution law helps budget situation
- Budget Realities
 - Recovery of the U.S. economy has begun but will not be fully realized for at least one more year
 - Loss of Hold Harmless funding has still not been addressed
 - Revenue generation is not meeting the minimum required level to efficiently support and sustain the county and school system operations
 - Service levels to citizens should be reviewed each year to address growth in areas being driven by increased demand

Chairman Walker requested Manager Morris to hit the high spots of his power point presentation that the Board needed to know before the next work session due to a timing issue.

Chairman Walker noted that he would put this back on the Agenda for the next work session.

County Manager Rick Morris commented:

- Noted the County received approximately \$1 million (QZAB/QSCB Reimbursement) in June 2016 that had been held up by the Federal Government
- This was in a restrictive status since it had not been received
- That is one reason the County's Fund Balance for FY 2016-17 was at 29.73%
- This is not a recurring bump up
- Need to also keep in the back of our minds that this could happen again

Chairman Walker noted that he would allow questions from the Board during Manager Morris' presentation.

Chairman Walker confirmed with Finance Director Edwards that the QZAB/QSCB reimbursement has been reduced a small amount by the federal government and that it can be reduced more and even taken away.

Finance Director Edwards noted that it is a year to year thing – never know until the last minute.

Finance Director Edwards noted that if it did go away, the County would have to refinance the debt.

Commissioner Booth confirmed with Finance Director Edwards that the funds were restricted by state statute because the funding had not been received from the Federal Government.

Commissioner Booth commented:

- Noted the millions of dollars in interest being saved by the County
- Realized it could be changed down the road, but we are talking about the upcoming Fiscal Year 2017-18 budget
- The Fund Balance is moving upwards
- Commend the county commissioners, county manager, and county staff for moving the County's Fund Balance in the right direction

Chairman Walker commented:

- Always have to think about the what ifs

County Manager Rick Morris continued:

- As you know, the federal government is not a stable place right now
- Just wanted to make sure that everyone understood why the County's Fund Balance is 29.73% and that this would not be a recurring event
- The new sale tax distribution is also a big help

Overview of FY 2017-18 County Debt Commitment

<u>Debt Description</u>	<u>Purpose of Debt</u>	<u>Years Left</u>	<u>Amount of Debt</u>
<u>Refinance / GO Bonds</u>	<u>West Stokes & Piney Grove</u>	<u>Last Yr.</u>	<u>\$828,773</u>
<u>PODS</u>	<u>Purchase for Early College</u>	<u>6</u>	<u>\$88,464</u>
<u>Land Purchase</u>	<u>Poplar Springs Elementary</u>	<u>11</u>	<u>\$97,040</u>
<u>School Construction</u>	<u>Nancy Reynolds and Comm. College</u>	<u>12</u>	<u>\$417,900</u>
<u>QSCB</u>	<u>Poplar Springs and Southeastern</u>	<u>10</u>	<u>\$1,781,829</u>

<u>OZAB</u>	<u>Southeastern</u>	<u>10</u>	<u>\$295,714.00</u>
<u>School Addition</u>	<u>Lawsonville Elementary</u>	<u>11</u>	<u>\$192,090</u>
<u>Total School Debt</u>			<u>\$3,701,810</u>
<u>Capital Lease Pymt #1</u>	<u>EMS & Sheriff & Garage Truck</u>	<u>1</u>	<u>\$219,211</u>
<u>Capital Lease Pymt #2</u>	<u>EMS and Sheriff</u>	<u>2</u>	<u>\$137,175</u>
<u>Capital Lease Pymt #3</u>	<u>New Roof and EMS Station</u>	<u>1</u>	<u>\$42,888</u>
<u>Capital Lease Pymt #4</u>	<u>Communications Equipment</u>	<u>Last Yr.</u>	<u>\$348,818</u>
<u>Capital Lease Pymt #5</u>	<u>Autumn Square Property</u>	<u>5</u>	<u>\$62,300</u>
<u>Capital Lease Pymt #6</u>	<u>Equipment-Sheriff, EMS and Servers</u>	<u>Last Yr.</u>	<u>\$100,571</u>
<u>Capital Lease Pymt #7</u>	<u>Tax Office Software</u>	<u>6</u>	<u>\$42,000</u>
<u>Capital Lease Pymt #8</u>	<u>EMS & Sheriff</u>	<u>1</u>	<u>\$110,874</u>
<u>Total Cap. Lease Debt</u>			<u>\$1,063,837</u>

School System Funding

- Current Expense
 - Budget recommendation decreased last year (\$9,817,340 FY 2016/17) as student population declined over past few years
 - School System has now depleted its fund balance, which was previously supplemented by federal stimulus dollars
 - \$ 724,255 of BOE Fund Balance was used last year to balance their budget
 - Current Expense will be major budget item for FY2017/18 Budget
- Capital Funding
 - Board of Education is following their approved a five-year capital funding plan
 - Additional capital funding provided this year out of budget cycle due to emergency capital needs, roofs / lights
- 4 Cent Fund Balance
 - Policy on use of 4 Cent Tax fund should be more clearly defined for future expenditures

County Manager Morris commented:

- Should look at a policy on the use of the 4-cent tax fund in this budget session if desired by the Board

County Manager Morris noted that he would skip the County Departmental Budget Analysis section today.

County Departmental Budget Analysis

- Workload & demands are increasing in many departments and stable in others; None decreasing
- Personnel at minimum acceptable levels to provide current levels of services
- Excess vehicles have been removed from fleet and are at minimum required levels
- Training and travel are at minimum levels to meet basic mandatory and other valid training needs
- Additional personnel needed in some departments to provide reasonable level of services and responsiveness
- Personnel turnover rates remain high, primarily due to salary level compared to surrounding counties
 - Significant number of key senior personnel eligible for full retirement

Specific Comments by Department

• Administration/Finance	• Animal Control
• Tax Department	• Solid & Waste
• Planning/Zoning	• Clerk of Court
• Information Technology	• Sheriff's Department / Jail
• Veterans Affairs	• Arks Control
• Elections	• Registration Board
• Senior Services	• Vehicle Maintenance
• Dept. of Social Services	• Cooperative Extension
• Health Department	• District Resource Center
• Economic Development	• Fire Marshal
• Emergency Management	• Temporary Medical Services
• Public Communications	• Public Buildings / Solid Waste
• Parks & Rec	
• Purchasing	

Here is Where We Stand

County Manager Morris commented:

- It was my objective in 2013 to start trying to fill the revenue gap
- Feel with the decision being made since then, the county is about half way to filling that gap in revenue
- Would probably extend the gap after learning the low school fund balance.

Budget Guidance Questions for BOCC

- What is minimum acceptable level of General Fund Balance FY 2017/18?
- What are your thoughts on BOE funding and fund balance level for BOE?
- Is Property Tax increase on the table as a revenue source for FY 2017/18?
 - Will a fire tax increase be considered if recommended by Fire Commission?
- Is the county willing to further increase user fees to address revenue shortages?
- What cuts in services to citizens and / or county departmental functions are realistic to make?
- Will county continue the current level of benefits for the county employees?
- What level of capital expenditures will be considered from the county and school system 5 year capital plan requests?
- Is the county willing to cut or eliminate funding to outside agencies that have been historically funded?
- What are the Board's thoughts on a bonus or COLA for employees?
- What level of funding is the BOCC willing to spend on Francisco School should it remain under county ownership in FY 2017/18?

Chairman Walker noted that he would like to look at funding for outside agencies.

County Manager Morris commented:

- \$45,000 was allocated in last year's budget for a salary study which has not been started
- No COLA was recommended since the salary study was recommended in Fiscal Year 2016-17
- Would like to hear the Board's thoughts on the salary study

Summary

- County has now reached a very challenging budget dilemma
- Next two budgets really need to address the negative impacts of the following items:
 - Loss of Hold Harmless
 - Extended period of reduced sales tax revenue from lagging economy
 - Depletion of available County General Fund Balance (non-restricted)
 - Depletion of School System's fund balance
 - Unfunded mandates
- Property tax rates have experienced minimal increases or been reduced over an extended period of time, while budget continued to experience real growth
- Minor cuts in personnel / equipment & services will not solve budget gap
 - Any cuts must be carefully done to avoid unintended consequences such as revenue loss
 - Must keep in mind that many of the county services are mandated
- This budget year will require some very difficult decisions for the county to remain financially sound while maintaining an adequate level of services to the citizens

Stokes County Tax Rate History

Current Ad Valorem Tax Rate is 62 cents along with a 4 cent Forsyth Tech/Schools Tax.

Chairman Walker suggested taking each question separately and see how far we get.

- What is minimum acceptable level of General Fund Balance FY 2017/18?

Commissioner Booth questioned if a motion was in order?

Chairman Walker responded:

- We might give the county manager concurrence from the Board instead of a motion and a vote

County Manager Morris responded:

- Do not want to be challenged like I was last year

Vice Chairman Lankford responded:

- You have the minutes

Chairman Walker responded:

- This goes no further
- There will not be a repeat of last year
- I am putting the responsibility on you, Mr. Manager, to let this Board know if you do not have the feeling that you completely understand where the Board stands on a particular issue

County Manager Morris responded:

- Will address each question individually and let the Board know what my understanding is

Chairman Walker opened the floor for the following question:

- What is minimum acceptable level of General Fund Balance FY 2017/18?

Commissioner Booth commented:

- 18% to 25%

Vice Chairman Lankford commented:

- 25%

Commissioner Mendenhall commented:

- 20% to 25%

Chairman Walker commented:

- No lower than 20% but as high as 25%

Commissioner Jones commented:

- Minimum of 20% or better

County Manager Morris commented:

- Probably need to add some comments to that question:
 - The second question regarding the Board of Education (BOE) funding and fund balance level impacts the General Fund Balance level
 - Right now the BOE Fund Balance is below \$100,000
 - If you let the BOE store funding in their Fund Balance, you can lower your Fund Balance
 - If you make the BOE have a lower Fund Balance, then you need to have a higher Fund Balance

Chairman Walker requested Manager Morris to clarify his comments regarding the BOE Fund Balance.

County Manager Morris responded:

- If you have the BOE keep a low Fund Balance, you have to have the funding here when they have an emergency
- If you give the BOE funding to have a higher Fund Balance, you can lower the County's Fund Balance
- Feel you have to answer our Fund Balance question in the context of what amount the BOE needs to keep for emergencies

Chairman Walker commented:

- If we moved \$500,000 for the BOE Fund Balance, then my calculations come up with that we are taking 1% from our Fund Balance, someone correct me if I am wrong

Commissioner Booth responded:

- When Obama came into office, the school system got approximately \$2-3 million extra funding
- We had the same issue with the BOE Fund Balance last year – had to appropriate approximately \$200,000 in order for South and West Stokes High Schools to be able to get computer notebooks with a Golden LEAF Grant
- If you give them \$500,000 or \$1 million, they are going to spend it
- The question is whether to give them additional funding for their Fund Balance or do you want them to come to us when they have an issue

Chairman Walker polled the Board regarding allocating extra funding for the BOE's Fund Balance:

Chairman Walker:

- Basically no additional funding for the Board of Education Fund Balance right now

Vice Chairman Lankford:

- I know for many years, the school system did not depend on a Fund Balance

- Agree with Commissioner Booth about the extra funding received when Omaha took office
- They have used that extra funding, prior to that, the school system did not have a large Fund Balance
- School system financing, according to statutes, is approved by the county commissioners
- Don't know if it is an advantage for them to have a large Fund Balance because when they request additional funding, we give them what we feel the County can afford
- My position would be approximately \$200,000

Commissioner Mendenhall commented:

- This is simple, if they need money, they can come and ask
- We all know that, I came
- Reiterated that it is very simple thing in my mind– they need it – they can come and ask
- I have many people that keep me informed on what is going on in the school system right now
- I understand how the system operates but that is their business now because I am out of it
- Have to understand that the BOE Funding from the state is in allotments that can be transferred
- They have allotments that do not have to be used strictly for a particular purpose
- There are some restricted allotments
- For example, if the fuel allotment for the year is down, the extra can be transferred to another category
- There are a lot of areas that they can play with
- They just transformed a half time position (AP) to a full time position at South Stokes; now they have two full time positions instead of 1.5 positions
- Would suggest \$250,000 total

Chairman Walker commented:

- After hearing Commissioner Mendenhall's comments, I can go \$200,000 to \$250,000

Commissioner Jones commented:

- Just want to keep in mind the unfunded mandated of smaller classrooms
- Can go with \$200,000 to \$250,000

Chairman Walker commented:

- Understand they have backed off reducing the classroom size
- Basically hear the Board is saying a \$200,000 to \$250,000 range for the BOE Fund Balance

Commissioner Booth noted the need to have a specific amount, not a range.

Chairman Walker noted the transferring of funds by the BOE from books to other things.

Chairman Walker polled the Board:

Chairman Walker: \$250,000 – going with the superintendent

Commissioner Booth: \$100,000 – because of the information by the superintendent

Commissioner Jones: \$250,000

Vice Chairman Lankford: stated \$250,000 earlier would like to discuss this more

Commissioner Mendenhall: \$250,000

Chairman Walker noted that the Board needed to move on and would discuss this at the next work session.

Commissioner Booth noted the Manager needed direction from this Board about this very important issue.

Chairman Walker questioned Manager Morris if he needed further clarification?

Manager Morris responded:

- If you give them \$250,000, a lower percentage around 20% seems ok for the County
- If you give them less than \$100,000, the County's Fund Balance would need to be at least 25% or more

Commissioner Booth commented:

- That is a perfect example with Manager Morris' answer, he is saying 25% and we are saying 20% to 25%
- We need to have an exact percentage for the Manager

Chairman Walker confirmed with Manager Morris he is good for now.

Chairman Walker noted the Board had 3 more sessions to work these things out.

Chairman Walker questioned if he needed any answers to the particular questions before the next work session.

County Manager Morris responded:

- Commissioner Mendenhall probably knows this
- If you go so low, they will probably say that you are micro managing the BOE
- If you go up to a certain amount, they may not think you are micro managing them

Chairman Walker noted that this could be further discussed at the next work session.

District Meetings

Chairman Walker presented the Board with information about the upcoming District Meetings.

The Board discussed attending the District Meeting in Burke County.

Chairman Walker directed Board members to let the Clerk know if they would be attending a District Meeting

Special Legislative Meeting

Chairman Walker opened the floor for discussion about scheduling a Special Legislative Meeting this year.

The Board unanimously agreed to schedule a Special Legislative Meeting with Senator Shirley Randleman and Representative Kyle Hall.

Clerk Bullins noted that she would get two dates from Representative Hall and Senator Randleman for the Board to decide on (normally that date has to be a Friday due to the delegates' schedules in Raleigh).

Joint Meeting with Caswell and Rockingham Counties

Chairman Walker opened the floor for suggestions for the Agenda for the Joint Meeting with Caswell and Rockingham Counties.

Chairman Walker questioned the Board about placing fracking on the Agenda.

The Board unanimously decided to hold off on placing fracking as an Agenda item.

Clerk Bullins noted that Rockingham County had requested a presentation regarding the tourism application from Stokes County which Interim Economic Development Director Sudderth has agreed to do unless there is an objection from the Board.

The Board had no issues with Director Sudderth being on the Joint Meeting Agenda.

Chairman Walker opened the floor for Closing Comments.

Commissioner Mendenhall commented:

- Confirmed with Clerk Bullins that the Legislative Meeting will be before the District Meeting so that the Board can discuss what the Legislators think about the NCACC Priority Legislative Goals
- Good start today, but know we have a long way to go
- Feel open communication is big, may be setting up a meeting with Manager Morris

Chairman Walker confirmed with Manager Morris that he had no issues setting up a private meeting with commissioners who had questions regarding the upcoming budget.

Vice Chairman Lankford commented:

- Have one goal that I did not share that I want to include at this point
- In this year's budget, my goal is to have a complete revenue amount
- We need to look at the revenues before we start doing the budget
- Budgets are based on revenues
- Would like all potential revenues, property tax, sales tax, rents, wine/beer tax, services from the Sheriff's Department, EMS payments, inspections, environmental permits, dog tax, interest and any other amount the county receives
- Want a total revenue amount the county receives/expects before we get started
- Would like to have by the next work session if possible

Commissioner Booth commented:

- Confirmed the meeting with the Legislators will be on a Friday

Commissioner Jones commented:

- Would like to know as soon as possible about the Legislative Meeting

Chairman Walker noted that the first item on the next Agenda will be a continuation of Manager Morris' update.

Chairman Walker questioned the Board if there was any further information needed before the next work session.

Commissioner Booth requested the Manager, if possible, to provide a figure regarding the built in growth by the next meeting instead of 1-2% which could be wide range.

County Manager Morris noted that he was not sure how accurate that would be until we get the new insurance rates, but would see where we are at.

Chairman Walker confirmed with the Board that the only request at this time was the revenue projection and built in growth percentage if possible.

Chairman Walker noted that this Board can give the manager a direction to not bring a budget to the Board if it has over a 2% increase.

Chairman Walker commented:

- My philosophy is a little different about revenues, but certainly recognize the importance of revenues
- If we can continue to control our expenses as we go along, that determines how much revenue we need
- If we set our expenses realistically and control them, it is then a matter of where do we get the revenue we need

Adjournment

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

Commissioner Booth moved to adjourn the Goals/Budget Work Session. Commissioner Jones seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Jimmy Walker
Chairman