

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
MONDAY MARCH 5, 2018

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Budget/Goals Work Session in the Third Floor Conference of the Ronald Wilson Reagan Building (Administration Building) located in Danbury, North Carolina on Monday, March 5, 2018 at 10:00 am with the following members present:

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

County Personnel in Attendance:
County Manager Jake M. Oakley
Clerk to the Board Shannon Shaver
Finance Director Julia Edwards

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

INVOCATION

Commissioner Lankford delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Mendenhall invited those in attendance to join the Board in the Pledge of Allegiance.

GENERAL GOVERNMENT – GOVERNING BODY – APPROVAL OF AGENDA

Chairman Mendenhall entertained a motion to approve or amend the March 5th Agenda.

Commissioner Jones moved to approve the March 5th Agenda as presented.

Commissioner Booth seconded the motion.

Chairman Mendenhall opened the floor for discussion.

With no discussion, the motion carried unanimously.

Goals/Budget Work Session – Open Discussion

Chairman Mendenhall opened the floor for discussion regarding goals.

Commissioner Booth commented:

- I am looking forward to this budget.
- We have a County Manager who will look at it closely, with revenues and expenditures.
- I believe he will come up with a balanced budget and not go into the fund balance as we have in the past 7 years that I have been on the Board.
- We have come from losing the 2 million dollars in whole harmless money and have been able to come up with ways to offset this.
- I commend this Board for doing that.
- This is from the sales tax that we lobbied for.
- Our current County Manager and another went as well.
- We did not get what we thought we would but we got 1.5 million dollars that goes a long ways towards the whole harmless that we lost.
- Walmart coming in kind of evened this out.
- I would like to see no tax increase this year.
- Will leave it there for now and let others give their opening.

Commissioner Jones commented:

- I would like to not use the fund balance this year.
- I hope that the new sales tax from Walmart will buffer us.
- Of course I always prefer no tax increase.
- I am open minded as we look into the budget.
- I would like to see the salary study done ASAP.
- Need to increase the teacher subsidy this year.
- Look at our finances with the Opioid Crisis.
- Want to be sure DSS is in good shape.
- Want to be sure all our infrastructure surfaces are in good shape.
- Need to look at the turnover rate and get that down.
- We are a rural county.
- Our infrastructure of services is what really keeps us going.
- Want to continue looking at transportation.
- It opens a while world of possibility for someone to get to work outside this county.
- Will stop with that and my theme is to be a healthier county any way we can.

Commissioner Lankford commented:

- Several things I would like to look at.
- Up front I will go with no tax increase.
- Try our level best not to use any of the fund balance.
- We have worked really hard on it.
- In 2006 when I became a County Commissioner, our County was broke.
- We couldn't even go out on a loan for the library in Walnut Cove.
- We had less than 8% fund balance.
- I worry about not having the money to keep things going as they should.
- We have to have money to run the County.
- In 2004 we had to have every department give up 6% of their budget, including the school system.
- I was on the School Board at this time.
- If you do not be frugal with the money that you have, and spend correctly, you will end up not having any money.
- I will support Commissioner Booth on commending this Board for the fund balance we have today.
- We had to watch out spending to do that.
- It is all about spending.
- We know how much revenue we have approximately.
- To me you look at revenues and needs.
- We are doing a good job providing the needs for our county.
- Our county is different, no matter what anyone says.
- We cannot match surrounding counties.
- There are a lot of ways to look at same size counties.
- You have to look at businesses and revenues in those counties.
- We need to look at all the expenditures and revenues and match those up and keep a good fund balance.
- We could have an emergency.
- We would have to have instant money.
- This is why we have a fund balance.
- It is for critical needs.
- It is not for wants.
- I am not going to be a representative of Stokes County and give in to all the wants.
- I believe in serving 46,000+ people and we should be serious about that.
- We have a lot of people in this county that are poor and unable to even pay their taxes.
- I feel strongly about the salary thing.
- I will present to the group my feeling on that later today.

Vice Chairman Walker commented:

- Commissioner Lankford and I see things different.
- Not as much as we used to.
- What our citizens want is important.
- Most of our things these days are wants.

- People have very few needs these days.
- We are fortunate to live a country where most of our needs are met.
- We should thank the Lord more often.
- No tax increase is important to people in the county.
- EMS is important.
- We have limited medical care in some parts of the county.
- We have supported this throughout the county.
- I will say early on I am not a supporter of 24/72.
- That is not going to change.
- I am amaze we have counties doing that.
- We have been very generous with our schools and will probably continue to be.
- Shocked our school have declined in enrollment, approximately 20 % over the past 12-13 years.
- We are fortunate to have a previous School Superintendent to help explain how that affects the schools.
- I am also looking for balance.
- We spend over 60 million a year on our schools.
- Started thinking about our project coming along with the recreation center.
- Looking at about 4 million dollars for this project.
- How does that compare with all the money we spend on our young people to do something for the adults of our community as well?
- We have not done that much to help keep our older population happy and healthy.
- I will agree with a lot of what the other Commissioners have said.
- I am not in favor of a tax increase this year.
- We have to think ahead.
- We were hit with something 10 years ago, the severe recession.
- There is no guarantee this will not happen again.
- A good fund balance is important.
- We need to add to it instead of taking away to balance the budget.
- I agree with Commissioner Lankford that we are not like other counties.
- We are unique.
- We need to recognize our strengths and weaknesses.
- We need to recognize our issues and work on those.
- We need to lead by example and not look to other counties for an example.
- I am looking for a positive budget.
- I was very encouraged when I had a talk with our County Manager along with other Commissioners.

Chairman Mendenhall commented:

- About everything has been mentioned.
- Everyone in this room expects that we be fiscally responsible.
- We need to keep the fund balance in good shape.
- We don't want to waste 10-12 years of hard work and throw it all away.
- I believe last year we were hoping to keep the fund balance in the 20-25% range.

- We can discuss more in detail on the Board's wishes for a desired balance.

Chairman Mendenhall questioned Finance Director Julia Edwards on the exact fund balance.

Finance Director Julia Edwards responded:

- As of the audit it was 33.50%.
- That is unassigned.

Chairman Mendenhall continued:

- We have discussed several times the infrastructure and revenues.
- I am excited about the Trades Shop coming in.
- That will help so much.
- Everyone is not cut out for a 4 year college.
- This gives so many options and is centrally located in the county.
- People all over the County can utilize that.

Commissioner Lankford commented;

- The budget Julia is speaking of on the fund balance is 2016-17.
- We pulled out 2.2 million.

Finance Director Julia Edwards responded:

- We actually took 1.5 million out.
- The year before was 2.2 million but we didn't use any of that.

Commissioner Booth commented:

- I want to talk a little more about the fund balance.
- You can't put reoccurring items on the fund balance.
- We are doing a tremendous job for the schools.
- In the last budget it was about a 26% increase on the school budget.
- Our County had about 5% including departments.
- On capital improvements we did over 1.5 million dollars, only leaving \$5,000.00.
- We need to be careful with that in case of emergency.
- In the last 2 years we have spent over 3.5 million dollars on the schools doing projects.
- The debt service for Piney Grove and West Stokes is coming off.
- This leaves more money.
- Since I have been on this Board we have spent 40 million dollars on new school construction.
- I hear three agreeing on no tax increase.

Commissioner Jones commented:

- I said I would be open to a tax increase if necessary.
- Of course I would rather not but I like to keep an open mind.
- I don't want to pull from the fund balance either.
- I don't want to have to do either of those things.
- I just again want to be a realist and keep an open mind.

- I understand we cannot use the fund balance for reoccurring items.
- I agree with Commissioner Walker when he says we are a unique county.
- We need to embrace this.
- There is a balance in the things we can do.
- For example having a light ordinance.
- We could draw a whole audience for tourism that no one else is going to have.
- Transportation might sound like a liberal idea.
- Instead of having to try and bring businesses to us which has not been very successful, it is cheaper to take people to work.
- I am always trying to think outside the box because we are a unique county.
- Beautification is important.
- Any businesses need to enhance our area.
- We have so many jewels in the area, with the parks and river.
- I would like our fund balance to stay up.
- We have as a Board done very well to increase and protect the fund balance.
- I want this to be a healthy county with low impact economic growth that protects our quality of life.
- People that live here are here because they love this place.
- Adding chain stores does not do that and does not provide a ton of jobs.
- Opening your mind to other things besides the obvious is important.
- I am concerned about schools.
- We have some dynamics going on that I don't know the answer to.
- I have said before that I believe in my lifetime we will see the brick and mortar schools disappear.
- I see this in the future, which is not a good thing.
- At the same time we want quality teachers and we want them to stay here.
- The subsidy has not been increased in a very long time.
- Maybe we cannot compete with pother counties but we can at least try and be pragmatic.
- Move forward in a positive way.

Commissioner Lankford commented:

- I agree with Commissioner Jones that the future will be not in brick and mortar schools.
- The way it is going now, we are having more home schooling, and private schools.
- This change is not due to money.
- The last 4 years the state has increased the salaries of teachers.
- We have great teachers in our school system.
- Many stay in Stokes County for the convenience and lower cost.
- Short term decision making is out.
- We have to look at the long term.
- How much did the COLA cost us last year?
- How much has part time help increased this year?
- How much will insurance increase this year?
- How much rent are we collecting?
- Does what we are paying out include the jail expansion payment?

- All of us support school safety.
- I would like to see us use more technology for school safety.
- When I was on the School Board, we had some door bars put in.
- The schools need to establish one point of entry.
- This can be done even with some of our schools that have open campuses.
- Doors can be locked remotely with cell phones for home alarms.
- I don't know if we are fully using technology.
- On the salary study subject, I would like for us to look at potentially raising the entry levels is on the grades.
- At least \$1,000.00 increase on the entry level grades.
- For the rest of the employees give a percent of increase to balance that out, whether it be 2% or 4%.
- Would like to completely do away with grades 53,54,55,56, & 57.
- Starting our grade scale with 58.
- This is going to help those on the lower grade scales.
- Most of the upper grades are more negotiable.
- Just want see how this would work.
- We have got to do something to at least have a pay scale that is comparable with same size counties with similar budgets.
- We need to look at grades up through maybe 80.
- The salary scale was established by the state scale.

Vice Chairman Walker commented:

- I appreciate the information given by Commissioner Lankford.
- Most salary studies are phased in over time.
- You don't do it all at once.
- Salaries are so sensitive.
- Everything we increase in salaries, our County Manager has to cut somewhere else.
- Where do you want him to cut from?
- One reoccurring theory on taxes is to control taxes we control spending.
- The last few years we have been presented with a Manager's Budget.
- This year should be the Commissioner's Budget.
- It will be fair to all those involved.
- We need to use all the information to make good decisions.
- You have to make your employees feel appreciated.

Chairman Mendenhall commented:

- Just want to take a minute to address what we have talked about.
- Schools –last year we received a list for 36 items for 1.5 million dollars and we funded all of them.
- The first item was a roof at Mt. Olive that was switched over to A/C at North and South Stokes gymnasiums which is their choice.
- It is a flexible plan and this was a bigger priority at the time.

- The Salary Study can be touched on more at the next meeting along with the grade changes.
- Will get numbers on the exact COLA increase cost from last year.
- Technology is something that everyone has talked about on school safety as well as personnel.
- West Virginia schools just received a 5% increase after a strike and then the test scores were released and were some of the worst ones in history.
- We want to retain our good people in the schools, and the county employees.

Interim County Manager Oakley presented the following power point presentation to the Board:

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 stakeholder's budget guidance to be used in the preparation of their FY 2018-19 budget submission to the county manager.
- The sessions should also provide guidance to the county manager on budget issues not directly related to individual county departments.

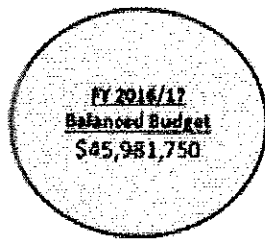
Budget Assessment

- Major Facts affecting the FY 2018-19 Budget
 - Workload of many county departments increasing
 - USDA Loan and Community College is complete
 - Interim loan completed and construction of the Jail Expansion has started
 - County budget has built-in structural increases of roughly 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
 - Service levels to citizens should be reviewed each year to address growth in areas driven by increased demand
 - Personnel turnover rates remain high, in several departments. Those with the most are Emergency Medical Services, Jail, and Social Services

- Vehicles have been removed from the fleet and are at minimal acceptable numbers
- Discussion of a recreation/wellness center in the County has begun. The goal is to provide this in the Northern end of the County, possibly in the Meadows area. In doing this, how would it affect the County? What role would the County have in it? Will this require added debt service to the County? Will it add employees? What are projected operating expenses?
- Water in the Meadows area: The water lines needs to be extended in the Meadows area to attract future growth. The economic impact would more than pay for the cost over time. We need to look for grant funding for the expansion. If the recreational/wellness center becomes a reality then financing and grant funding should pay for the cost of water, should the water line and the recreational/wellness center coincide.
- Investment in land for economic growth: Need to make sure that zoning is in place before purchase. The infrastructure is within reason to support development. The County will always seek grant funding. The County might provide incentive for contract of purchase as well.
- County hospital (LifeBrite): Always in support for providing good medical care for our citizens. The county is working with the Danbury facility in making sure our emergency room is always operational. Pine Hall site is up and running and providing an urgent care type of medial service. X-Ray equipment needs to be installed so that this can be more of an urgent care facility.
- RiverStreet Communications: We are pleased with the amount of work that has been accomplished so far. We would like to see our school system start using RiverStreet communications as their internet provider. We need to make sure that RiverStreet is working diligently to provide services to the unserved areas of Stokes County. This is the last year of the county's commitment of \$600,000 out of the \$1.8 million.
- Forsyth Tech Community College: Stokes County and Forsyth Tech need to address the security issues at the college and early college. Infrastructure is in place for the new trades building to be built.
- Maintenance of all County buildings: Repairs/upgrades are needed on several buildings. Parking lots at the Government Center need to be repaved, as well as repairs to the roofs. The Community Services building, Animal Shelter, and Old Courthouse will need significant remodeling because of their age, this is always a major expenditure for the County. The Old Courthouse has water issues in the basement that need to be addressed as soon as possible.
- It is recommended that we continue placing funds into the Capital Reserve for repairs and renovations.

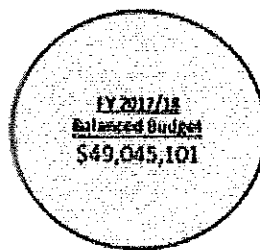
- Emergency Medical Services: The issues that the Emergency Medical Services (EMS) are having over the last three years of retaining qualified personnel still exists and needs to be address. Stokes County needs to stop being a training ground for EMS and Sheriff Office personnel. Is the solution more insentive programs, higher pay, or better working hours? Surrounding counties have changed to a 24/72 hour work week, or 12 hour shifts with overtime pay. Employees are leaving for less work hours and true overtime time and a half hourly pay rate.

Review of Budget Situation



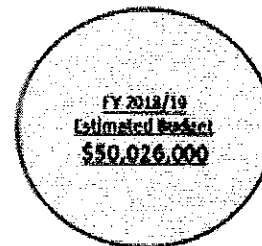
Summary

- Appropriated \$2,263,540 from General Fund Balance
- Per the audit, the final budget was \$46,800,853 and appropriated fund balance stated above were not used
- Capital Outlay was limited to essential requirements
- One time revenue from State for Broad band
- New sales tax from state



Summary

- Appropriated \$1,598,604 from General Fund Balance
- Revaluation estimated revenue increase of about \$90 million
- .20 cent fire tax increase that was approved by the board FY 15-16 for three years is finished
- NC's sales tax has increased due to Walmart



Summary

- 2% increase over last years approved budget
- Unassigned fund balance per audit FY 2016-17 \$14,997,977 General Fund which is 32.05%
- Fund balance would be available to balance the budget and still be above 20%

Overview of FY 2018-19 County Debt Commitment

Overview of FY 2018-19 County Debt Commitment

Debt Description	Purpose of Debt	Years Left	Amount (P plus I)
USDA	Community College	39	\$220,600
PODS	Purchase for Early College	5	\$86,750
Land Purchase	Poplar Springs Elementary	10	\$95,012
School Construction	Nancy Raynolds and Comm. College	11	\$815,010
OSCB	Poplar Springs and Southeastern	9	\$1,781,829
OZAB	Southeastern	9	\$295,714
School Addition	Lawsonville Elementary	10	\$188,430
<u>Total School Debt</u>			\$3,483,405
Capital Lease	EAS & Sheriff & Garage Truck	Last yr.	\$219,211
Capital Lease	EAS and Sheriff	1	\$137,174
Capital Lease	EAS & Sheriff & Computer	Last yr.	\$110,874
Capital Lease	EAS & Sheriff & Other Equipment	2	\$315,949
Capital Lease	Autumn Square Property	4	\$62,299
Capital Lease	Tax Office Software	5	\$42,000
<u>Total Cap. Lease Debt</u>			\$887,507
<u>Total Debt Service for FY 2018-19</u>	Does not include Jail Expansion Interest payment		\$4,370,912
<u>Total Debt Service for Stokes County</u>	Principle and interest, but does not include interest for Jail Expansion loan		\$48,037,859

School System Funding

- Current Expense
 - Appropriation from the General Fund only increased in the amount of \$951,520 from FY 2016/17 to 2017/18. The actual budget from FY 2017/18 was \$10,874,290 as student population declined over the past few years. Appropriation from the Dedicated fund \$94,570 for Poplar Springs Elementary School's operating expenses. The county appropriated a one-time amendment for one-half of the Arts teachers \$141,734.
 - School System has now depleted its fund balance.
 - \$396,738 was the balance unassigned per the BOE 2017 audit. The BOE amended their appropriation from fund balance of \$141,734 for Art teachers, which was agreed upon by both boards. After the amendment the school had an unassigned balance of \$255,004. The school system used \$69,211 from fund balance to balance their budget, which is already out of the \$396,738.

- Capital Funding
 - FY 2017-18 appropriation was \$1,500,800. FY 17-18 is the last year debt payment for the GO bonds. Therefore, \$828,773 will be available for appropriation in FY 18-19. FY 17-18 \$503,073 was used from the fund balance in the School Capital Outlay fund leaving approximately \$5,632 unassigned. Sales tax for the schools is up some and will add to the fund balance at the end of the year.

- **Funding level for Current Expense will be a major issue for the FY 2018/19 BOE Budget**

Budget Guidance Questions for BOCC

- What is minimum acceptable level of General Fund Balance FY 2018/19?
- Is Property Tax increase on the table as a revenue source for FY 2018/19?
 - 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?
- What are your thoughts on BOE funding and fund balance level for BOE?
- 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's 5 year capital plan requests?
- Is the county willing to cut or eliminate funding to outside agencies that have been historically funded?
- Is the county willing to increase salaries to reduce the high personnel turnover rate?
- Is the county willing to add additional debt beyond the jail expansion loan to fund the capital needs of the county and school system?
- Is the county willing to go into capital reserve?

Summary

- The goal is to develop a plan of action that will address issues throughout the budget process. Some are one time appropriations and some will increase the budgets for future years.
- To use these 4 meetings to gain knowledge on moving forward with special projects, and meeting the needs of our County Departments.
- Developing a budget that you can be proud of as well as the employees and citizens of Stokes County.
- Knowing what is expected of the budget, there will be updates provided to the Commissioners throughout the process. This allows time to address concerns as they arise and the capability to submit 1 budget vs. submitting a recommended budget and an alternative budget.
- The budget should benefit Stokes County as a whole, while working on economic development, competitive salaries, over worked staff, and other issues, all while not burdening the tax paying citizens.

Interim County Manager Oakley commented:

- I hope that in the next three work sessions I can get a clear picture of what the Board wants in the Budget.
- I appreciate the opportunity you have given me.
- I will present a straight forward budget.
- Keep in mind as our county grows so do our services.
- We have a lot of employees who are going above and beyond to provide these services.
- This leads to being overworked and stressed out.
- I need guidance in if you are willing to go into the fund balance.
- I understand that we cannot go into the fund balance for reoccurring items.
- Are you interested in any capital projects or just handle them one at a time as they are presented.
- I would like to do more incentives for employees.
- With that I would like to invite you to the luncheon at The Arts Place for the Social Workers Appreciation luncheon on March 23rd.
- If you remember you signed the proclamation for Social Workers Appreciation Month.

Vice Chairman Walker commented:

- On the subject of employees going above and beyond, I have always been a big supporter of merit.
- I am in favor of merit over longevity.
- I would like to see us lighten the burden if we can't decrease the workload.
- Some employees are not working as hard as others and are making more money than those that are going above and beyond based on the number of years they have in.
- I want to use the County's citizen's money as efficiently as possible.
- I have been told we cannot use merit due to not being able to trust someone to make this decision.
- Although they can make the decision to hire or fire.

Commissioner Jones commented:

- We need to boost morale in all departments.

Vice Chairman Walker commented:

- For the past few years I have asked about contracting work for EMS.
- Only if we get to point where we cannot provide the services to our citizens.
- Some counties are doing this with great success and others not as much.
- I am just curious what the cost of this is if we have to go that route.

Commissioner Lankford commented:

- I believe the department heads should complete a problem analysis before coming to the County Manager to be sure they have exhausted all their options.

Commissioner Jones commented:

- I don't want to take anything off the table.
- I want our EMS to work like a well-oiled machine.
- I am all for doing a problem analysis.
- I want to reduce the turnover in the EMS department and provide quality care to our citizens.
- We have to have enough staff to do the job.

Commissioner Booth commented:

- Hopefully the new stretchers we put on the ambulances will cut down on workers being out from injuries from lifting.

Vice Chairman Walker commented:

- We seem to be a training ground due to other counties recruiting our employees.
- We cannot compete with the pay in those counties.

Chairman Mendenhall asked each Commissioner to give the County Manager feedback on what they would like to see for the next meeting.

Vice Chairman Walker commented:

- I would like for our Manager to look more into this EMS situation.
- This is an ongoing concern.
- I want to take a broader view and look at successes from other counties.
- I would also like to change the stigma of Stokes County and focus on more of the positive things happening in Stokes County.
- Jobs in the County.

Commissioner Jones commented:

- I am not going to add anything at this time.
- There are a lot of things that have been asked already.
- I will yield my time with that.

Commissioner Lankford commented:

- I would like to look at who is looking into grant money for economic development.
- The amount of grant money we have received in the past several years has been equal to what a substantial tax increase would have provided.

Interim County Manager Oakley commented:

- Public Works Director Mark Delehant is working on a grant currently concerning expanding water.
- It would not pay to run the lines but possibly cover engineering services and some costs.

Adjournment

There being no further business to come before the Board, Chairman Mendenhall 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.

Shannon Shaver
Clerk to the Board

Ronnie Mendenhall
Chairman