

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
WEDNESDAY MAY 30, 2018**

The Board of Commissioners of the County of Stokes, State of North Carolina, met for Budget Work Session in the Third Floor Conference of the Ronald Wilson Reagan Building (Administration Building) located in Danbury, North Carolina on Wednesday, May 30, 2018 at 11:00 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 Booth 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 May 30th Agenda.

Commissioner Jones moved to approve the May 30th Agenda as presented.

Vice Chairman Walker seconded the motion.

Chairman Mendenhall opened the floor for discussion.

With no discussion, the motion carried unanimously.

FISCAL YEAR 2018-19 BUDGET

Chairman Mendenhall turned the floor over to Interim County Manager Jake Oakley.

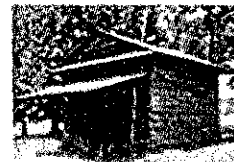
Interim County Manager Jake Oakley presented the Fiscal Year 2018-19 Budget Overview to the Stokes County Board of Commissioners.

Interim County Manager noted that he would be happy to answer any question during the power point presentation.



FY 2018-19 Revenue Overview For Stokes County Board of County Commissioners (BOCC)

May 30, 2018



Overview

- Revenue projections remain conservative
- Projections for FY2018-19 are based primarily on actual collections this year compared to budgeted amounts
- County and School System sales tax revenues are up slightly
- Holding an adequate County fund balance is critical in reducing financial risk and maintaining the County's high ratings from the rating agencies
- School Current Expense has been split out into a sub-fund of General Fund. This shows a 31 cent tax rate for current expense. This makes the funding for schools more transparent.

Vice Chairman Walker commented:

- I would like clarification on the split tax rate.
- Can I see some numbers that go along with that 31% rate that goes to the schools?

Interim County Manager Oakley responded:

- The schools are split out based on the tax revenue.
- The ad valorem.
- The 12 million dollars they have is strictly tax dollars.
- The current expense for the schools does include \$200,000.00 for penalties and interest which automatically goes to the schools.
- There are no tax districts; you have total control over the rates.
- However you see fit to distribute the money.
- When people come in with tax bills, they are interested in knowing how much is going to schools.
- With this divided tax rate they will be able to see exactly how much is going to the schools.

Vice Chairman Walker continued:

- Of our 50 million dollar budget, you are looking only at as valorem.
- No other revenue sources.

Commissioner Jones commented:

- Historically with ad valorem the schools get about 50% anyway.
- This is not really doing anything different other than cleaning up the books.
- This just makes it more transparent.

Commissioner Booth commented:

- If there is a tax increase they have to be done separately.
- Is it split 50/50 based on the school current expense?
- I believe schools increased last year 26% overall.

Interim County Manager Oakley responded:

- The tax rate can be changed as needed.
- If there is a need in the school you could go to 33/29 and still have the same 62 cent rate while splitting out a larger percentage for the schools.

Chairman Mendenhall commented:

- You could also do it the other way if needed on the county side.

Vice Chairman Walker commented:

- You could take any expense the county has and divide it by \$382,000.00 which equals 1 cent on our tax rate.
- We are not taking into account all of the other funds we get from other sources.

Interim County Manager Oakley commented:

- They also receive other funds from other sources.

Commissioner Booth commented:

- Say it is 31/31 this year and next year's ad valorem tax does not increase and the school asks for a 2 million dollar increase.
- If you gave them that you will have to pull this from the county's percentage.

Interim County Manager responded:

- You could do that or take it from the fund balance.

Commissioner Booth continued:

- They need to have a fund balance for emergencies.
- Last year it got taken down to \$5,000.00.

Interim County Manager Oakley responded:

- It is up to about \$30,000.00.

Vice Chairman Walker continued:

- Didn't we leave the door open to them for if they have a large emergency they can always come back to us and ask for help?

Commissioner Jones responded:

- We have always done that in the past.
- This works better than a bunch of undesignated fund balance.

Finance Director Julia Edwards commented:

- There is around \$100,000.00 in an emergency contingency fund.

Commissioner Lankford commented:

- I understand what is being said.
- I believe the school system already holds a fund balance out of what they receive.

Commissioner Booth commented:

- Even if they have that, they still need a fund balance that is left with the county for emergencies that may come up.

Commissioner Lankford responded:

- How much do you want to put in it?

Commissioner Booth responded:

- I think at least \$200,000.00.

Commissioner Lankford responded:

- I have no problem with that.

Commissioner Jones commented;

- We want them to have the money they need.
- We give it to them in good faith.
- I just have to think that if they see that we are going 50/50 right down the line with the ad valorem they will have to know there is a cap.
- The enrollment is down and it is hard to keep justifying rising costs with lowering enrollment.

Interim County Manager commented:

- You could take the 1.8 million down to 1.6 and put the \$200,000.00 in a fund balance.

Commissioner Booth commented:

- In the past some of the requests for projects have been overestimated.
- We need to know the true costs of the projects.

Chairman Mendenhall commented:

- I thought we were very generous last year.
- We knew that the roof at Mt. Olive was a top priority, although they states that could make do for one more year in order to get the air conditioners at the schools that did not have them in the gyms.
- They asked for 1.5+ million dollars and we funded that and the 36 items on the list.
- All of those items should have been able to be completed.
- I remember a time when you gave them 1.2 million dollars for a roof and the actual costs was \$400,000.00.
- This was before I was a Commissioner.

- I am unsure how an estimate can be that far off of the actual cost of the project.
- This concerns me.
- On the art positions we were told that would be a one-time request.
- The state was supposed to pick that up moving forward.
- The legislators have let them down on that.
- Now I see them listed in current expense which is what we were told would not happen.

Commissioner Jones commented:

- The legislators let them down and it is not our responsibility.
- It is not our place to take up for where the legislators let them down.

Commissioner Lankford commented:

- I do not think we should have to fund those 6 positions if the state is not going to.

Interim County Manager Oakley commented:

- The state is funding 25% it looks like and are supposed to be phasing it in.
- I suppose the Superintendent thought that they would fund those 100% this year and it does not look like that is going to happen.

Commissioner Booth commented:

- We knew this last year.
- It was stated that it was the intent to fund those positions.
- You cannot count on something to be done like that.

Vice Chairman Walker commented:

- The main thing is that we were told we would not be asked to fund this again.

Chairman Mendenhall continued:

- I believe all Commissioners are in agreement and my current position is that we should not fund this.
- We were told we would not be asked and now it is in the budget.
- I really hate the legislation is letting them down on that.

Vice Chairman Walker continued:

- I am in an information gathering phase
- I am not locking into anything at this point until after we meet with the school board.

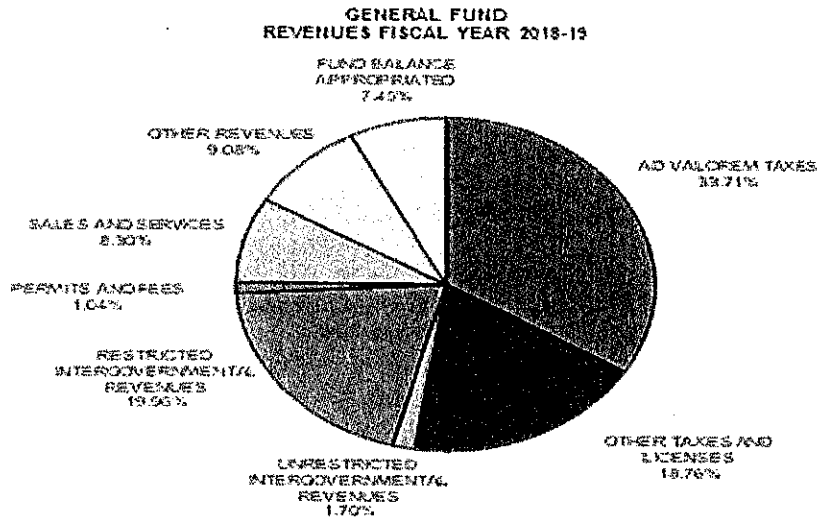
Chairman Mendenhall commented:

- I completely understand Commissioner Walker's statement.
- This is in preliminary phase.

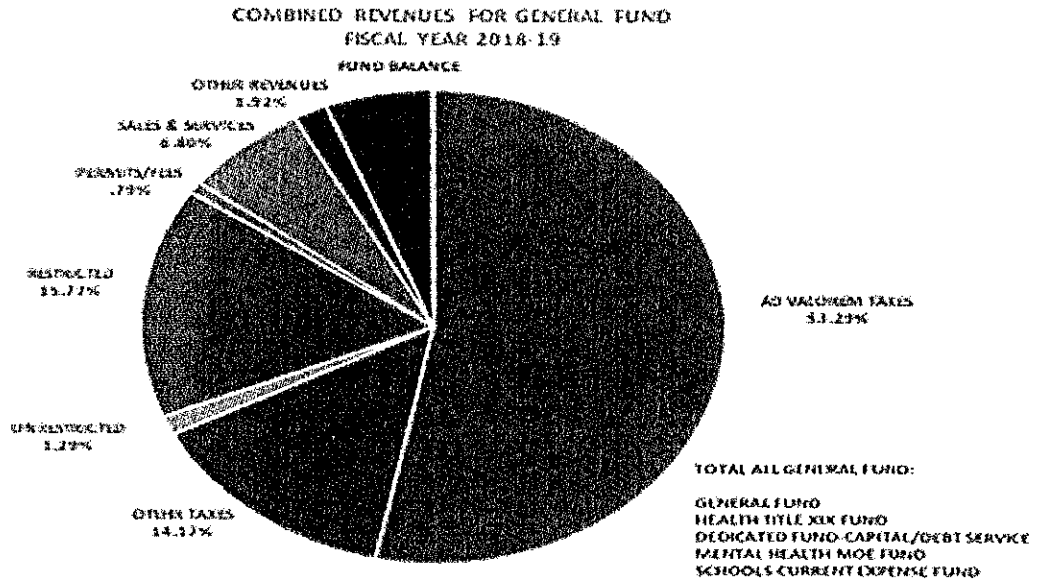
Vice Chairman Walker commented:

- I am concerned with the pattern of asking for more than you need for projects.
- I like transparency and this does not give that impression.

FY18-19 Projected Revenue Summary



FY18-19 Projected Revenue Summary



Ad valorem taxes

- **FY 18-19 county value is \$3,533,625,598**
 - General Fund - Estimated Ad valorem revenue is \$10,670,525 using a 31 cent tax rate at 97.41% collection rate
 - Dedicated Fund-Capital/Debt Service Fund - Estimated Ad valorem revenue is \$1,376,842 using a 4 cent tax rate at 97.41% collection rate
 - School Current Expense Fund – Estimated Ad valorem revenue is \$10,670,525 using a 31 cent tax rate at 97.41% collection rate
- **For comparison FY 17-18 value was \$3,512,580,509**
 - General Fund - The collection rate of 97.25% was used, which produced \$21,179,104 in Ad valorem revenue at 62 cents
 - Dedicated Fund-Capital/Debt Service Fund - The collection rate of 97.25% was used, which produced \$1,366,394 at a 4 cent tax rate

Ad valorem taxes

- **FY 18-19 county value for Motor Vehicle is \$380,814,743**
 - General Fund - Motor Vehicle Ad valorem revenue is \$1,180,526 using 31 cent tax rate at 100% collection rate. Local Government Commission recommends budgeting at 100%.
 - Dedicated Fund-Capital/Debt Service Fund - Same collection rate of 100% was used, produced \$152,326
 - School Current Expense – Motor Vehicle Ad valorem revenue is \$1,180,526 using 31 cent tax rate at 100% collection rate.
- **For comparison FY 17-18 value was \$364,976,711**
 - Motor Vehicle Ad valorem revenue was \$2,262,856 using 62 cent tax rate at 100% collection rate.
 - Dedicated Fund-Capital/Debt Service Fund - Same collection rate of 100% was used, produced \$145,991

FY 17-18 Sales Taxes

- Sales tax is currently **\$297,566** ahead compared to last year as of March 2018.
- Sales tax revenue estimates for 30 June 2018 are:
 - Article #39 - **\$2,318,058**(budgeted amount **\$2,364,082**)
 - Article #40 - **\$1,975,443**(budgeted amount **\$2,120,692**)
 - Article #42 - **\$567,205** (budgeted amount **\$642,835**)
 - Article #44*524 - **\$1,646,660** (budgeted amount **\$1,543,000**)
- Projected gain this year over last year in combined sales tax revenue is **\$406,795**

FY 18-19 Sales Tax Estimates

- Recommended FY 18-19 budgeted sales tax estimates for General Fund are shown below:
 - Article #39 from FY 17-18 amount of \$2,364,082 to **\$2,365,000**
 - Article #40 from FY 17-18 amount of \$2,120,692 to **\$2,120,000**
 - Article #42 from FY 17-18 amount of \$642,835 to **\$640,000**
 - Article #44*524 from FY 17-18 amount of \$1,543,000 to **\$1,645,000**
- These are conservative estimates based on actual collections experienced during this budget year.

FY 17-18 School's Sales Tax

- Sales tax is currently **\$79,044** ahead compared to last year as of March 2018
- Sales tax revenue estimates for 30 June 2018 are:
 - Article #40 - **\$937,284** (budget amount \$975,000)
 - Article #42 - **\$942,390** (budget amount \$850,000)
- Projected gain this year in combined sales tax revenue is **\$108,385** compared to last fiscal year.
- Recommended FY 18-19 budget sales tax estimates as shown below
 - Article #40 from FY 17-18 amount of \$975,000 to **\$935,000**
 - Article #42 from FY 17-18 amount of \$850,000 to **\$945,000**
- These are conservative estimates based on actual collections experienced during this budget year.

Revenue Items of Interest

- Recommended budget uses projections from the State of N.C. for Health Dept and DSS
- IRS interest refund for QZAB / QSCB was budgeted based on receiving the full reimbursement. This reimbursement can always change.
- Investment income is based on estimated collections for FY2017-18.
- Proceeds of \$447,200 from Financing include the following equipment:
 - **EMS**
 - One (1) remount \$165,000
 - Two (2) LifePats with coaching devices \$55,000
 - **Sheriff**
 - Four (4) SUVs and two (2) Trucks for Sheriff's Department \$177,200
 - **Emergency Management**- One (1) Generator for the Pinnacle Station \$50,000
- Investment income has increased due to rate increases by the FEDS.

Revenue Items of Interest (2)

- Budget recommendation appropriated \$2,752,174 from General Fund balance. This will leave an estimated 27.40% fund balance.
- Recommendation appropriates \$450,000 of Lottery proceeds for payment of school debt. This appropriation is based on what we receive annually from lottery funds.
- Transfer from Dedicated Fund-Capital/Debt Service Fund appropriation has increased due to the disbursement of lottery funds first for new school debt. The total transfer amount of \$2,437,894 to General Fund consists of:
 - \$2,240,407 for Early College and school debt payment
 - \$197,487 Early College operating expenses
- Transfer from Dedicated Fund-Capital/Debt Service fund to School Current Expense Fund consists of:
 - \$94,508 Poplar Springs Elementary School operating expenses

Commissioner Lankford commented:

- When did remounts for ambulances go to \$165,000?
- We have bought new ones for that.
- I would need to know what we paid for a new one.
- This just seems high.

Interim County Manager Oakley commented:

- They requested \$230,000.00 for a new ambulance or \$165,000.00 for a remount.
- This is for the larger ambulance.

Finance Director Julia Edwards commented:

- The last ambulance we purchased was \$210,000.00 last year.
- The last remount was the wrecked ambulance and it was \$90,000.00.
- The new one for this year would be around \$233,000.00

Commissioner Lankford commented:

- Why are we going with SUV's in the Sheriff's Department?

Interim County Manager Oakley responded:

- They will no longer be making the Interceptor that we use now.
- The Sheriff provided a couple of options, we could stockpile the car being used now but once they are gone they cannot be replaced and the equipment will not fit the new style vehicles or we could begin phasing in the new line of SUV's and trucks.

Vice Chairman Walker commented:

- Recently I attended a meeting with Phil Berger.
- I spoke with him regarding our lottery percentage.
- He was concerned about this.
- I explained to him that we are only receiving 17% out of the 40% we were originally getting.
- I questioned him regarding unfunded mandates.
- He wanted to know if we could provide him with a list as he was not aware this was going on.

Commissioner Lankford commented:

- Are the operating expenses for Poplar Springs going to continue to come out of the 4 cent fund?

Finance Director Julia Edwards responded:

- This is how the model was put together.
- The Board can change this model at any time.

Possible Revenue Adjustments

- Below are areas where revenue projections could be increased by BOCC
 - Ad valorem collection tax rate
 - Increase fees for services (ex: EMS, Animal Control, Environmental Health, Planning, Solid Waste, etc.)
 - Could also consider charging a fee for fire inspections and plan reviews
 - Could also consider increasing dog tax for non-spayed / neutered dogs
- My conservative recommendation is not to increase any of these projections and to use any excess revenues that occur to offset other revenue shortfalls or to increase the County's General Fund Balance

Interim County Manager Oakley commented:

- Out of all of that, believe the one thing you should really consider is fire inspection fees.

Commissioner Lankford commented:

- What kinds of fees are these?

Interim County Manager Oakley responded:

- Restaurants, and other business inspections.
- Right now this costs the county money.

Commissioner Lankford commented:

- How much are you thinking?

Interim County Manager Oakley responded:

- I don't have a number in mind.
- I have discussed with our Fire Marshal.
- I can speak with him and get more specific information on fee schedules of like size counties.
- Want to mention the Town of Walnut Cove is in a predicament.
- They have asked if they could contract with us so we gave them a price of \$30,000.00
- This is the cost we figured it would cost the County.
- They turned us down.
- They will have to do something soon.
- Our Fire Marshal's office has been helping them out.
- They had a Fire Marshal and he has resigned.

Chairman Mendenhall commented:

- You handled this correctly.
- You made an offer and they did not accept.

Finance Director Julia Edwards commented:

- Are you interested in information in Fire Inspection Fees?

Vice Chairman Walker commented:

- I am not.

Commissioner Lankford commented:

- I am not interested in the Fire Inspection Fees.
- I am interested in charging those an extra tax that do not have their dogs spayed or neutered.

Vice Chairman Walker responded:

- I am not there on that.
- There are some responsible dog owners that do not have their dogs spayed or neutered.

Commissioner Jones commented:

- I am not sure you could enforce this.
- \$150.00 seems pretty high.

Commissioner Booth commented:

- A few years back we discussed increasing the EMS fees with Medicare and Medicaid.
- Are we able to do that now?
- Are we at the max?
- We were not charging what we could at that time.

Interim County Manager Oakley responded:

- That can be looked into.
- I know the rate was increased some time back.
- I would not be able to answer if we are billing the full billable amount without checking.

Revenue Summary

- Future jail expansion should also provide reduced expenditures and additional revenue once operable. The estimated completion date is February, 2019.
- General Fund balance is about where it should be
 - The estimated fund balance after FY 18-19 appropriation should be around 27.40% as of the audit unassigned fund balance at 06/30/17. At this time it is unknown how much if any of the \$1,598,604 budget fund balance will be used. If the FY 2017-18 is not used then the percentage will increase.
 - Authorization of \$250,000 Current Expense fund balance for School System reduces risk to county's General Fund

Finance Director Julia Edwards commented:

- As of today it does not look like we will have to use any of the \$1,598,604.00 budget fund balance.

Commissioner Booth commented:

- How will we know what the schools fund balance is?

Commissioner Jones commented:

- The problem is that their cycle is not our cycle.
- They are projecting.
- They paid 50% of the Art Teachers last year.

Finance Director Julia Edwards responded:

- The balance was \$396,738.00.
- They appropriated \$141,000.00 for the Art Teachers.
- That would leave it at around \$255,004.00.

Commissioner Booth commented:

- We are there then with the \$255,000.00.
- We wanted \$250,000.00 in that fund balance.

Vice Chairman Walker commented:

- We questioned them extensively on those art teachers and we were told repeatedly that we would not be asked to fund those again.
- We funded half which was \$140,000.00 last year for 6 positions.
- What is their request this year?

Finance Director Julia Edwards responded:

- They are asking you to fund 3 Art Teachers this year at \$114,000.00.
- The state is paying 25%.

Commissioner Booth commented:

- The current expense went way up.

Adjournment

There being no further business to come before the Board, Chairman Mendenhall entertained a motion to adjourn the meeting.

Commissioner Jones moved to adjourn the meeting.

Commissioner Booth seconded and the motion carried unanimously.

Shannon Shaver
Clerk to the Board

Ronnie Mendenhall
Chairman

