



STOKES COUNTY

Administration

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BUDGET MESSAGE FISCAL 2009-2010

TO: The Honorable Chairman and Commissioners
Stokes County Board of Commissioners

FROM: Kenneth B. "Bryan" Steen, County Manager *KBS*

DATE: May 26, 2009

SUBJECT: FY 2009-2010 Recommended Budget

In accordance with the North Carolina Local Government and Fiscal Control Act (G.S. 159-8), I hereby present and submit for your review and adoption a balanced proposed budget for Fiscal Year 2009-2010. I respectfully remind you that a mandatory Public Hearing for the Proposed FY 2009-2010 Budget has been scheduled for 7:00 PM in Court Room "A" of the Government Center on Monday, June 1, 2009.

Budget Guidelines

During March of 2009, the County Manger was asked to develop two proposed budgets. One budget would include receipt of the Hold Harmless revenues (Option 1) and a second that did not (Option 2). Both budgets have been prepared for the Boards consideration. However, the recommended budget is Option 2 with the caveat that Option 1 could later be implemented should the Hold Harmless revenues be received in late August of 2009.

Budget Theme

Severe cost reduction is the overriding theme of both proposed FY 2009-2010 Budgets through a mixture of budget cuts, slight service reduction and, in Option 2, potential use of fund balance: twelve furlough days for county employees, freezing of annual pay increases, no holiday bonus, closing of convenience sites one weekday (possibly Tuesday), selective hiring freeze for vacant positions, significant reduction of departmental budgets and funding of special appropriation requests as well as a reduction in funding of the public school budget from last year. The proposed cuts result from a dismal economic climate, loss of ADM funds, probable loss of Hold Harmless funds and significant reduction of revenues associated with various sales taxes and other revenue sources.

Objectives of the proposed budgets are:

- Continue to provide current service levels for emergency services and services that provide a safety net to our vulnerable citizens.
- Maintain a strong County Fund Balance to enable attainment of low interest financing options for the funding of approved school construction projects.
- Continue to review service delivery methods to reduce expenditures and improve efficiency / effectiveness.
- Provide responsible and timely maintenance of critical infrastructure and equipment in order to prevent more expensive repair or replacement cost at a later date.

Budget Process

Our initial process had each county department, the county school system and other non-county agencies provide the county manager with a requested budget. For 2009-2010, the Requested Budget totaled **\$41,750,177 and would have required a tax rate of 65.46 cents for Option 1 (with Hold Harmless) or 70.70 cents for Option 2 (without Hold Harmless).**

Revenues

In light of current economic trends, the proposed budget reduces anticipated Sales Tax Revenues from authorized sales taxes by \$1,095,000 from the figures used during FY 2008-09. Additionally, the current revenue shortfalls being experienced by the state and their recent actions to limit their expenditures by reducing previously dedicated revenues to counties, as evidenced by their redirection of ADM funds and taking of School Lottery funds, causes me to have grave doubt in the state's ability to provide Hold Harmless funds for our use in FY 2009-10. If not offset by the anticipated increase in Property Tax revenues due to revaluation, \$1,584,331, we anticipate total revenues to the county to be decreased by \$4,996,197 from total revenues received in FY 2008-09.

Expenditures

Over the past several weeks, I have worked with county staff and developed proposed budgets that total \$39,802,536 for Option 1 and \$38,559,824 for Option 2:

Budget Option	Total	FY 2008-09 Total	Budget Reduction
1	\$39,802,536	\$41,971,690	\$2,169,154
2	\$38,559,824	\$41,971,690	\$3,411,866

Both budgets are funded with a tax rate of 60 cents for services funded by the General Fund.

Additionally, \$200,000 has been set-aside in Contingency for unexpected expenditures as well as \$45,000 to cover unpredictable fuel cost increases that may arise during the upcoming budget year.

Expenditure Containment

Containment and reduction of expenditures is a constant and ongoing activity as evidenced by implementation of the "Video Probable Cause" process to reduce fuel consumption, miles driven and return of officers to service as quick as possible. Staff also looks for other opportunities to reduce costs such as energy efficiency improvements in heating/cooling of buildings and reductions in health and property insurance premiums.

In the recommended budget for county departments, I've budgeted an overall reduction of funds requested for Dept. Supplies, Travel and Training and I will continue with our current restriction on Travel and Training to mandatory events or events of exceptional importance. As in past years, we will also continue to look for beneficial ways to reduce cost through the use of technology, restructuring and quarterly budget reviews of all county departments to identify and obtain expenditure savings during the budget year.

Capital Outlay

Departments requested a total of \$799,724.00 for capital expenditures. Of those requests, I recommend approval of requests totaling \$440,450 shown in the Option 2 Budget.

The Option 1 Budget would approve requests totaling \$593,610.

See Capital Outlay Schedule for item specific information.

School-Current Expense

The Stokes County School System submitted a Current Expense Budget request totaling \$11,411,103. After reviewing the request, I recommend appropriation of \$10,148,277 shown in the Option 2 Budget for FY 2009-2010.

The Option 1 Budget would provide funding of \$10,462,141.

My recommendation (Option 2 Budget) represents a decrease of 1.56% or \$161,323 from funding appropriated for FY 2008-09. As mentioned earlier, I'm making severe cuts to county department budgets to limit the use of Fund Balance.

Please note the following information from FY 2008-2009 regarding our appropriation to current expense as compared to that of surrounding counties of greater financial means and a few other similar sized counties:

COUNTIES	Student Population	TOTAL	Per-Student Funding
Stokes	7177	\$ 10,309,600.00	\$ 1,436.48
Davie	6642	\$ 8,742,411.00	\$ 1,316.23
Forsyth	51487	\$ 108,595,688.00	\$ 2,109.19
Rockingham	14077	\$ 15,981,873.00	\$ 1,135.32
Surry	11529	\$ 13,288,500.00	\$ 1,152.62
Yadkin	6004	\$ 6,486,000.00	\$ 1,080.28
Hoke	7509	\$ 3,700,000.00	\$ 492.74
Person	5300	\$ 9,337,835.00	\$ 1,761.86
Richmond	7765	\$ 7,100,000.00	\$ 914.36
Vance	7436	\$ 8,380,000.00	\$ 1,126.95

Fire Service Request

Upon review of the Service District, King, Rural Hall and Walnut Cove Budgets, it is my recommendation that no fire tax rates increase for FY 2009-10 and the Board of County Commissioners review budgets submitted for Sauratown and Double Creek. The review would be for the purpose of considering a reduction of the submitted budgets by \$1,436 for Sauratown and \$2,984 for Double Creek. I also want to make the Board aware that a fire tax increase of 1 cent has been requested by the City of King in a letter from the Mayor.

Revenue-Neutral Tax Rate

In compliance with North Carolina General Statute 159-11(e), the revenue neutral tax rate would be 57.35 cents (\$0.5735). However, in setting the property tax rate for FY 2009-10, I would recommend Commissioners give careful consideration to the County's recent financial history, current and future budgetary needs and my doubt regarding the state's ability to provide Hold Harmless revenue to the county.

My recommendation is that the current property tax-rate of 60 cents (\$0.60) per \$100.00 of property value remain in effect. The revenue now generated by one cent of property tax is estimated to be \$360,173.00 at 100% collection, or \$343,966 at 95.5% collection.

FY 2008-09 Budget Highlights

1. Retired County General Fund debt in the amount of \$710,228 (principal and interest).
2. Attained a fund balance of 19.6% as part of efforts to prepare for funding of county school construction or rehabilitation projects.
3. Completed construction of new office space on 3rd floor of Ronald Reagan Building and moved staff to create a virtual one-stop-shop for building, well and septic tank permits.
4. Completed construction of 2,880 square foot addition to Stokes Opportunity Center without the use of county tax dollars.
5. Commissioners continued with a 60-cent tax rate for fiscal year 2008-09.
6. The County continued efforts to collect delinquent revenues.
7. Financed the purchase of eight new vehicles for the Sheriff's Office and two new ambulances: remount of current box onto a new chassis.
8. Installed new roofs on courthouse, communications building and Danbury Library.
9. Obtained \$800,000 in grants to rehabilitate Danbury Water System.
10. Obtained \$40,000 Water/Sewer Planning Grant for Meadows Comm. College Site .