



STOKES COUNTY

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Budget Message

Fiscal Year 2014/15

TO: **The Honorable Chairman and Commissioners**
Stokes County Board of County Commissioners (BOCC)

FROM: Richard D. Morris, County Manager

DATE: May 27, 2014

SUBJECT: **Fiscal Year 2014/15 Recommended Budget**

Introduction

In accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-8), I hereby present and submit for your review and adoption a proposed balanced budget for Fiscal Year (FY) 2014/15. A mandatory Public Hearing for the recommended FY 2014/15 Budget has been scheduled for 7:00 PM in Courtroom "A" of the Stokes County Government Center on Tuesday, June 10, 2014.

Budget Theme

The budget theme for the Stokes County's FY 2014/15 recommended budget is "**Looking Forward**". Since the 2008 economic downturn, the county has worked diligently and has been able to maintain a high level of local government services, plus support to education and healthcare, while keeping tax rates reasonable for county residents, many of whom are on fixed incomes. This budget recommendation continues the high level of local government services and support to education, and does so without a property tax or fire tax increase this year. That being said, as the economy continues to struggle, the theme of "**Looking Forward**" is intended to direct the budget focus to how the county will continue to meet its high levels of support to its citizens until economic prosperity returns locally, and nationally, to the United States. It is already clear that the budget challenges will continue during the next two to four years and this recommended budget should be thought of in the context of the next few years and not just this year, hence, the theme "**Looking Forward**". As employment and other economic factors remain weak, the demands on many of the departments in the County are increasing. With demands on an upward trend, most revenues are only up slightly and the loss of "Hold Harmless" revenue plus lower property values from Revaluation heavily impacts the budget picture. As we move forward with this budget recommendation and those that follow, it should be emphasized that difficult challenges will have to be addressed head on to continue local government services at a level that most people take for granted will be there. This budget message is intended to focus everyone's thinking on the next two to four years as the budget recommendations are considered

for FY 2014/15. The county seems to be facing a continued period where unfunded mandates keep coming, often through subtle and not-so-subtle reductions in state and federal funding, such as Medicaid reimbursements. While revenues remain sluggish, expenses to operate the county are continuing to increase every year. The ultimate challenge will be to balance the needs of the citizens against the cost of addressing those needs financially. Affordability will continue to be the number one criteria for evaluating everything the county does, no matter how good the idea or how important the service, government function or piece of capital equipment are determined to be. All recommendations included in this budget proposal were evaluated based on their impact to the FY 2014/15 Budget, and also with a forward focus on how they will impact the budget period from FY 15/16 through FY 17/18. The FY 14/15 budget recommendation kicks off this four-year focus period by submission of a budget recommendation that contains slightly less than expected growth with no property tax increase. This proposed budget requires the appropriation of \$2,841,932 dollars of General Fund Balance, which is slightly lower than the FY 13/14 Budget appropriated, even though the expense side of the proposed budget increased. It also leaves some available General Fund balance to appropriate for the FY 15/16 Budget if current estimates materialize as expected. This is a conservative, low risk budget recommendation that addresses structural and other increases while continuing to re-baseline the budget to operate without "Hold Harmless" revenue and with flat property tax revenues for the next three years.

Executive Summary

The total recommended Stokes County Budget for FY 2014/15 is \$43,860,097. This is a 1.79% (\$869,482) increase over last year's approved budget. As was the case last year, the development of this recommended budget proved to be a challenging exercise. Many of the reasons for the difficulty are the same as last year, an example being the complete loss of Hold Harmless revenue, which finally happened this year. As stated earlier, this budget was developed using a four-year focus in the thought process, which addressed current needs and also factored in consideration of how the County will move forward when the remaining General Fund Balance available for balancing the budget dries up completely in FY 16/17. The Affordable Care Act (ACA) also continues to loom on the horizon for FY 2014/15 and beyond with many unanswered questions. The major issue that could affect the County in FY 2014/15 is insurance coverage for part-time employees, who work more than 30 hours per week. The County is certainly not in a position at this time to train and fund extra part-time workers to reduce part-time hours, or to offer health and dental insurance coverage to a large portion of our part-time work force. To address the ACA, this budget proposal creates a Part-Time / ACA contingency line item where funding will be available to address ACA health insurance requirements if they become an issue. The ACA, and its implementation, will need to be addressed separately later this year after budget approval by the BOCC to discuss the establishment of measurement periods and other requirements of the act. The overall 1.79% increase in this year's recommended budget, over last year's approved budget, was driven by five major contributors which are listed below:

- Proposed budget includes the total amount for new tax software, which will be financed by the vendor at zero interest over ten years
- Structural increases that are built into budget for personnel such as longevity increases and increases in dental coverage
- Increase in part-time salary rates for Public Safety personnel
- Increase level of local funding to support Title XIX Medicaid programs, similar to the local contribution level that was made prior to splitting out Title XIX Medicaid from the

General Fund; after the split, spending focused on reducing the Title XIX Medicaid fund balance to a normal level to prevent overages possibly being pulled back by the State

- A 2% cost of living (COLA) adjustment for employees, to start with the pay period beginning 10/11/2014
- The cost of computer replacements and new or used vehicles which is required to keep this equipment at an acceptable level of operation

Other factors that influenced the FY 2014/15 proposed budget, most of which are beyond the control of the county, are listed below:

Under Revenue

- Planned elimination of Home Health revenue budget due to sale of license
- Sales taxes continue to increase slightly, but remains down from earlier years
- Interest income from idle funds remains low due to the Federal Government keeping interest rates low

Under Expenses

- Replacement of outdated computers in several departments, all most of which are at end of life and no longer supportable by their vendors
- Fuel and energy costs remain high
- Increased volume of calls in both EMS and the Sheriff's Department, plus jail over capacity
- Planned elimination of Home Health expense budget due to sale of license

Other Major Influencers

- No more "Hold Harmless" to replenish "General Fund" balance
- Revaluation reduction in Ad Valorem property tax revenue
- New debt payment for additional school construction / renovation

In summary, I would ask that as the BOCC reviews and analyzes my recommended budget that you keep the following important considerations in mind:

- The shortage of revenues continues to keep the County off of its normal rotation schedule for replacement of vehicles, which increases the risk of vehicle related issues such as breakdowns and increases in maintenance and repair expense.
- My recommendation is that the County's General Fund Balance should remain at or near 20% at all times for Stokes County; however, this cannot be accomplished in the current economic environment without changes in either the level of services provided to the citizens or the amount of tax the citizens pay for those services. A 20% fund balance is approximately three months operating expenses for this county.
- **The Fire Commission has already announced that it will be most likely recommend a Fire Tax increase next year to address equipment and personnel needs of the County's Fire Service District.**

- **I expect the General Fund balance to remain at or near 20% for the FY 2014/15 projected budget; however, without a significant reduction in services or tax increases (AdValorem tax, sales tax, etc.), the County is now on a downward trajectory to have its General Fund balance drop 5% per year starting in FY 2015/16. The current estimate for unrestricted General Fund balance that can be used to balance the budget in FY 2015/16 is approximately \$2 Million and is projected to drop to zero for the FY 2016/17 Budget.**
- **I would recommend that the Board of County Commissioners again conduct early work sessions during FY 2014/15 to discuss and analyze the difficult budget challenges as we move forward toward FY 2015/16 and beyond.**

Budget Requests from County Departments

The department heads were conservative in their FY 2014/15 budget requests. They continue to operate on very tight budgets, as evidenced by the decreasing amount of dollars the County was able to recoup during quarterly financial execution reviews of the FY 2013/14 Budget. With the structural increases and equipment /software recommended in my budget proposal, the growth was relative low at only 1.79%, which is less than needed to sustain the previously established rotation of ambulances, Sheriff's vehicles and other departmental material and capital needs.

Other specific areas are addressed below:

Equipment

Requests were submitted for a variety of equipment to include computers. All computer requests were reviewed by the Information Technology (IT) Department and mostly computers at the end of life were approved, unless they were funded by other than county dollars. Lists of equipment items recommended for approval are listed below:

- One new ambulance for the EMS Department
- Replacement evacuation chairs for the EMS Department
- Battery bank charger for Emergency Management
- Minitor VI pagers for Sheriff's Department
- New vehicles for the Sheriff's Department (6 patrol cars and 1 SUV)
- Bullet proof vests for the Sheriff's Department
- Investigation equipment for the Sheriff's Department
- Camera equipment for the Sheriff's Department
- Turn-out gear for Fire Marshal
- 8 Green boxes to replace old boxes at green box sites
- 24 replacement computers
- New software for the Tax Department (approved earlier by BOCC)
- ASA appliance upgrade for IT Department
- Replacement switches for IT Department
- Lease of postage machine to be used by all departments
- French drain materials for installation around the Administration Building
- Propagation radio study for E-911 Communications

The recommended computers and some E-911 equipment are funded by a combination of county, state & federal, and E-911 funds, which are identified specifically in the detailed budget documentation. One used pickup truck was approved for the Animal Control Department, which will only be purchased if an adequate 4WD vehicle can be identified for the available funds. Only one new vehicle was purchased in FY 2013/14 for the Sheriff's Department, which supports the requirement for a larger purchase in this budget proposal. A significant purchase of new computers is included to replace computers where several are seven+ years old. Everything the County does depends on computers and the network and we have no choice but to replace these very out-of-date computers so our employees can perform their duties. The total amount recommended for equipment in this budget is \$944,262 with \$828,000 of that amount to be financed. The financing will cover vehicles and computers, with the Tax Office software being financed separately without interest charges by the software vendor. Other funding sources for equipment are Register of Deeds Technology funds, State Fines & Forfeitures and state & federal funds. Only \$66,434 will be required for equipment in this FY 2014/15 Budget proposal from the General Fund as compared to \$96,386 in the FY 2013/14 Budget.

Personnel

Reclassification Requests / New Positions & On-Call – Various personnel requests were received from the Health Department, Finance Department, Public Buildings Department, Tax Department, Sheriff's Department and Department of Social Services (DSS). Additions to those receiving on-call pay was requested by the Public Buildings Department but not recommended at this time due to affordability and the direct implications to other departments. The only reclassifications or addition of positions recommended for approval were where the job scope actually changed or where significant cost reductions would occur for the County. No reinstatements of previously unfunded positions were approved. Reclassifications and position additions recommended for approval are listed below:

- **Reclassify Sheriff's Department Administrative Assistant**
 - Has assumed supervisory responsibility over other administrative personnel
 - Has assumed budget preparation responsibilities for the department
 - New scope of responsibility matches similar positions in the Health Department and Department of Social Services
 - Cost \$1,694.77 including fringes

- **Adds two new positions in Dept. of Social Services to eliminate two contract positions**
 - Addition of these positions saves the County \$17,132 local dollars annually because contracted positions cost more than the government positions. These positions will also allow the drawdown of additional state & federal funding.
 - County cost for these positions is \$3,764.
 - Adds flexibility to the functions that can be performed by these positions that were not available under the contracting scenario

The total amount of funds required for the recommended reclassification and position additions is \$76,980 of which \$71,521 comes from federal or state funds. The funding impact of approving my personnel recommendations would be an increase of approximately \$5,459 county dollars annually.

Part-Time Salary Rates

It is becoming increasingly difficult to hire qualified part-time employees to fill critical positions in the County's Public Safety departments. The major problem in attracting these part-time professionals is that surrounding counties pay significantly higher part-time rates. Lack of available personnel places the County in a difficult position with increased risk of mistakes by overworked full time personnel. To address this situation, my budget proposal recommends a \$2.00 per hour increase to current part-time wages for the following Public Safety positions;

- Deputy Sheriff Increase to \$11.10 per hour and \$12.41 after 200 hours
- EMT Intermediate Increase to \$11.56 per hour
- EMT Paramedic Increase to \$12.52 per hour
- Jailor..... Increase to \$11.10 per hour and \$12.41 after 200 hours
- Telecommunicator..... Increase to \$9.42 per hour and \$11.56 per hour after 200 hours

Employee Cost of Living Adjustment (COLA)

This budget includes the recommendation for a 2% employee COLA for eligible full and part-time employees. To reduce cost, the COLA will not start until the pay period beginning 10/11/2014. The total cost of the recommended COLA for FY 2014/15 is estimated to be \$145,000. The decision to include an employee COLA during this challenging budgetary period was based on several factors, two of which are listed below:

- The cost of living, especially for food, fuel, and other household expenses continues to increase.
- A COLA is recommended, and is more affordable now rather than later, because the General Fund balance is still at a reasonably high level, and is still available to help balance the budget. The probability of a COLA or Bonus recommendation for FY 2015/16 or FY 2016/17 is very low because the General Fund balance will decline rapidly after this year.

Board of Education (BOE) Requests

As stated in the Executive Summary of this message, the County budget is now on a downward trajectory, especially over the next two to four years, which will also directly impact the school system funding. Valid requirements must continue to pass a stringent affordability test before they can be funded. Though the BOE budget request appears to contain valid requirements, affordability will still be the key evaluation criteria for the foreseeable future before the BOE budget can be increased. New school construction and renovation has added debt in the FY 2014/15 Budget and in previous budgets. The Lawsonville Elementary Project, which is the last project funded by the BOCC on the current school construction / renovation list, is now completed. With the concurrence of the N.C. Local Government Commission, the BOCC is prepared to allocate any remaining funds from the Lawsonville Project to other BOE capital needs. The budget challenge will now shift further to the repair, modification and maintenance of

the existing schools, which will remain a challenge until previous school debt is retired, which will then make more funds available that could be appropriated for school capital projects.

Current Expense

The Current Expense budget request from the BOE for county funding contains an approximate 13.10% increase over last year's approved budget. This translates to an approximate \$1,337,982 increase over last year's BOE request. Last year's BOE budget appropriated \$1,153,342 of their Current Expense fund balance toward their current expense budget and in this year's request the BOE chose not to appropriate any of their Current Expense fund balance for Current Expense. My recommendation is to provide the BOE \$10,211,763 for Current Expense, which is the same amount approved in last year's budget. This recommendation also includes \$98,100 to the BOE for Current Expense to pay for operations & maintenance expenses for the Poplar Springs Elementary School. The \$98,100 will come from the New School / Forsyth Tech Construction / Renovation Fund (previous 4 cent tax increase) and will not impact the County's General Fund.

Capital Outlay Expense

The BOE Capital Outlay request for this budget was \$2,953,000. This would require \$2,353,000 from the County's General Fund to meet this request. My recommendation is to provide the BOE \$1,600,000, and include the authorization for the BOE to spend up to \$1,000,000 from their Current Expense Fund Balance on capital projects. If they choose to do so, this increased authorization from their fund balance will allow the BOE to address roofs and other important capital needs such as school safety and security items. As in previous years, my recommendation is to continue prioritizing the capital funding toward the retirement of debt from earlier school construction, which will require \$1,000,000 in the proposed FY 2014/15 Budget. This annual \$1,000,000 debt payment for General Obligation Bonds (West Stokes and Piney Grove schools) will continue for three more years before this amount could be considered for appropriation to school capital projects. Remaining capital funds in the amount of \$600,000 will be appropriated for capital outlay in the areas of safety, school security and roof repair / replacement. The \$600,000 appropriation is a \$300,000 increase over last year's appropriation for this purpose.

Hold Harmless Funding

Hold Harmless funding is no longer available to replenish the General Fund Balance. An unexpected Hold Harmless payment of \$1.12 Million was received this year, which helped to reduce the expenditure level of the General Fund balance that was appropriated in the FY 2013/14 Budget. There will be no Hold Harmless revenue this year and it's not likely to resurface in the future. This is a very important point because Hold Harmless has been the major contributor to the recent success in building up and maintaining the General Fund balance. Hold Harmless has also been used to purchase capital equipment and to fund non-recurring items, which was also a major negative impact beginning with the FY 2013/14 Budget. This will continue for the foreseeable future. This is again illustrated by the fact that this FY 2014/15 budget recommendation finances items such as computers, which were not financed in past

budgets. The loss of Hold Harmless funding at its highest level equals an approximate decrease of 5% in the county's total budget revenue. We have projected that approximately \$1,837,047 of appropriated General Fund balance from FY 2013/14 will go back to replenish the General Fund balance on June 30, 2014. No unexpended funds were recouped from the FY 13/14 fourth quarter financial execution review that could be returned to the General Fund balance. The dollar amount going back into the General Fund balance was greatly helped by the unexpected Hold Harmless funds that were received this year. Next year at this time, little or no funds will be projected to go back into the General Fund balance.

Health and Dental Insurance Costs

The shift two years ago to a Health Reimbursement Account (HRA) / Split Deductible continues to look like a good decision based on experience to date. The County will continue with a Health Reimbursement Account (HRA) / Split Deductible this year to cover county employees. The County will also continue to pay 100% of the premium cost for employees. The terms and conditions of the insurance plan will remain the same as the County stays with the League of Municipalities Insurance Pool. The carrier will continue to be MedCost, who the County accesses through the League of Municipalities Insurance Pool. This is the second year that counties have been eligible for this pool, and the decision to stay with the League of Municipalities will result in no increase to medical insurance coverage, and only a very minor increase in dental coverage. The cost for the employee co-pays in the areas of emergency services, urgent care and prescriptions will remain the same. The current health insurance provider will be introducing a wellness program this year for employees that will potentially add individual insurance cost for those employees who choose not to participate in the program, starting with the FY 2015/16 premiums. The individual insurance cost increases resulting from non-participation would be paid by the employee, regardless of the county percentage that is being paid.

Enterprise Funds

The County has three enterprise funds which are described below.

- “Stokes Reynolds Memorial Hospital Fund” – This budget recommendation appropriates \$200,000 for Pioneer Health Services (PHS). It also includes the \$10,000 annual payment to the County to fund future capital based expenditures that results from the receipt of \$500,000 in lease payments from PHS and the return to PHS of \$490,000 for “emergency services” leaving \$10,000 for the fund. All budget items related to PHS are in accordance with the terms and conditions of the County's lease with PHS. The County is also using this fund to manage all “accounts receivable” and “accounts payable” remaining from the County's prior operation of the hospital, after the transfer back from Baptist Hospital, and before PHS took control. In FY15/16 the \$200,000 payment to PHS will be reduced to \$100,000 per the lease agreement. The payments will continue to scale down until six years from now no funds will be provided to PHS for “emergency services”.

- “Regional Sewer Fund” – This fund remains financially sound with no rate increases; however, the institutional rates were reallocated between the Regional Sewer Fund and the Danbury Water Fund as approved by the BOCC in the FY 2013/14 Budget.
- “Danbury Water Fund” – This fund is now financially sound due to changes made in the FY 2013/14 Budget to redistribute institutional rates between this fund and the Regional Sewer Fund, which fixed the deficit in the water fund and left the sewer fund with a sufficient balance. It was discovered recently that the rates for the Danbury Water & Sewer Funds are at only half of the amount that is required to qualify for most state funded infrastructure grants.

New Grant Program for County Parks

This proposed budget includes a new grant program for improving county owned parks. A grant application process will be developed where interested individuals or organizations can apply for up to \$2,000 per park to make improvements to the facilities. In order to receive the funding the applicants will have to provide a match, which can be in the form of cash or in-kind contributions. The total amount placed in this fund for FY 2014/15 will be \$10,000.

Walnut Cove Library

In 2005 & 2006 Stokes County entered into arrangements with the Town of Walnut Cove to jointly fund the renovation and upgrade of the Walnut Cove Library building and facilities. The arrangements called for the County to make ten payments of \$40,000 annually and by July 1, 2014 to pay an additional \$50,000 to close out the County’s obligation. The final payment of \$50,000 was to be offset by one-half of any funds raised by the library during the loan period. The other half would go to offset the identical \$50,000 payment owed by the Town of Walnut Cove under the agreements. On July 1, 2014, the Stokes County portion of this loan obligation will be complete. As a result of funds raised by the library, Stokes County’s final payment will be \$33,000 in lieu of the original \$50,000 requirement, with the amount owed being confirmed by the Interim Town Manger of Walnut Cove.

Water / Sewer Project Gap Funding

Stokes County has just completed the competitive bid process and will be selecting a contractor to install a new sewer line from the packaging plant located in the Town of Danbury to the new community college site in the Meadows Community. The project also includes connection to the water system at the Meadows site that already supports the Early College facilities. The majority of the funding for this project will be provided by multiple grant agencies, with the largest amount coming from The Golden LEAF Foundation. With some uncertainty remaining on the final total of available grant funding, the BOCC has signed a Funding Gap Letter that states that the County will fill any shortfalls from the granting agencies. If a funding gap occurs, the primary sources of funding to fill the gap will be excess funds from the County’s Regional Sewer Fund plus additional funding that is available in the Community College Capital Projects line item.

General Fund Balance

Under my proposed budget, \$2,841,932 will be required from the County's General Fund to balance the budget. This is \$14 less than the amount appropriated from the General Fund balance in the FY 2013/14 Budget. An estimate of approximately \$1,837,047 will be returned to the County's General Fund balance on June 30, 2014 from the unexpended funds and revenue overages remaining from the FY 2013/14 Budget. The amount of this unspent balance can be attributed to receipt of some unexpected revenues, examples being the Hold Harmless revenue and the early return of the funds that were fronted to CenterPoint as part of their waiver process. As stated earlier in this message, I would recommend that the BOCC strive to keep the County's General Fund balance in close proximity to 20%, which will be needed later this year to seek financing for the new community college building. With the use of \$2,841,932 from the County's General Fund Balance to balance the proposed FY 2014/15 budget, it is projected that the County's General Fund Balance will remain above 20% for the FY 2014/15 fiscal year, but will experience a steady decline beginning FY 2015/16 without tax increases or service cuts. An estimate of approximately \$2,000,000 is projected to be available from the General Fund balance to balance the FY 2015/16 Budget and still remain at a 20% fund balance. After that, no excess General Fund balance is projected to be available for the foreseeable future to balance the budget.

Title XIX Medicaid Fund

As the BOCC is aware, the Title XIX Medicaid funds were broken out from the General Fund to provide more visibility of these funds and their uses. At the time the Title XIX Medicaid funds were broken out, a large fund balance had accumulated, while at the same time, local county dollars were being used to fund the same programs being funded by Title XIX Medicaid funds. The breakout of Title XIX Medicaid provided clear visibility of the large fund balance that had accumulated. With the increased transparency of this fund, an immediate concern was that the State would possibly pull back the majority of these funds that had not been spent and had accumulated into the large fund balance. To prevent this possible occurrence, the County decided to use a portion of the Title XIX Medicaid fund balance to expand the administrative office space with a building addition at the Health Department, which was an authorized use for the Title XIX Medicaid funds. Even with the building addition, the remaining fund balance allowed the County to fund Title XIX Medicaid programs for two years with lower levels of local dollars as the Title XIX Medicaid fund balance continued to be reduced to a normal level. In the FY 2014/15 budget proposal, you will see that the Title XIX Medicaid fund balance has now been spent down and a return to an increasing level of local dollars will again be needed to fund these programs. This problem is further intensified by potential reductions in the amount of Title XIX Medicaid settlement payments, which are refunded annually to the county. This year's settlement amount is \$150,752, which was better than expected; however, the amount of future payments is very uncertain. With local county dollars being reintroduced at higher levels to fund these shared programs, close scrutiny should be paid to all Health Department programs that require local funds to ensure all of these programs are needed, and that they generate sufficient revenue to justify the program costs.

Interest Earnings /Rates

Interest Earnings – Interest earnings on idle funds invested by the County remain negligible due to continued low market rates. Interest rates are projected to remain low through the next fiscal year.

- The Federal Government does not intend to raise rates until unemployment rates improve.

Inflation – Officially inflation remains low; however, commodities such as food, fuel and healthcare remain high.

Sales Tax Receipts

Sales tax receipts for the “General Fund” are up by \$65,802 over last year, as of March 31, 2014, which is a 2.55% increase. Article 40 and 42 sales tax receipts, where a proportion goes to the school system, are up by \$24,505 over last year for the same time period, which is a 2.38% increase. Even though sales tax receipts are fairly consistent from last year, they remain significantly lower than the levels received prior to 2008.

Ad Valorem Taxes

Ad Valorem taxes are the main source (49.56%) of revenue for the county budget. Based on the last Stokes County audit, the FY 2012/13 actual collection rate was 96.19%. This proposed budget uses a more conservative collection rate of 96%. Should the BOCC desire to do so, the collection rate could be raised as high as 96.19%, though I do not recommend going above 96%. A new variable has now entered the picture in FY 2014/15 Budget where tobacco buy-out payments have ended to farmers, which will mean approximately \$6.2 million annually will no longer be coming to Stokes County. It remains to be seen if this will impact property tax collection rates as property owners adapt to this change. This Tobacco Buy-Out scenario closely resembles the situation the county has just experienced with the loss of Hold Harmless funding.

Increase in Penalty Fees

This budget proposal recommends an increase in the penalties associated with the Noise Ordinance enforced by the Sheriff, and the Nuisance Ordinance enforced by Animal Control and the Sheriff to prevent dogs and other animals from occupying and damaging private property. Recommended changes in the penalties are listed below:

Noise Ordinance

The first visit by law enforcement is a warning with no fine, to be followed by a \$200 fine if a second visit is required. Subsequent visits increase by \$200 each visit up to \$600 per visit. Multiple visits will be authorized during the same 24 hour period if violations continue during that period.

Nuisance Ordinance

The first visit by Animal Control is a warning with no fine, to be followed by a \$100 fine if a second visit is required. Subsequent visits increase by \$100 each visit up to \$500 per visit. Multiple visits will be authorized during the same 24 hour period if violations continue during that period.

Legal Services

This proposed budget includes a small increase in compensation for the County Attorney, due to the increase scope of effort required to provide legal support to the County. Currently the County contracts with two attorneys, one of which is dedicated to providing specific legal services to the Department of Social Services (DSS), and the County Attorney who provides both general legal services to the County and some specific legal services to DSS. The total legal budget for the county is \$70,000, which also includes an allocation for litigation and outside legal services that may not fall under the scope of the County Attorney's contract. Additional funding in the amount of \$80,000 is also included in the DSS Budget for the DSS attorney, of which \$34,774 is county funds.

Fire Marshal Recommendation

The Fire Marshal Office has now been moved under the Sheriff's Department along with the Fire Marshal Budget. The pilot program for this change appears to have worked very well and this approved organizational change will remain in effect unless otherwise changed by the BOCC.

Animal Control

The privately funded outdoor exercise runs that were discussed in last year's budget have now been completed and have improved cleanliness and disease prevention at the shelter. The operational changes that were made at the shelter have also aided in improving shelter cleanliness. The increase in adoption fees to provide vouchers for spay/neuter has also worked well and has had a minimal impact on adoption rates, reducing them slightly. The introduction of the spay/neuter voucher was to encourage pet owners to have their animals spayed/neutered to reduce the population of unwanted animals that end up in the shelter. The training line item has been increased slightly in my proposed budget to keep the County's animal control officers up to date on the latest laws and procedures that should be followed in the operation of the shelter. Funds were also moved from capital reserve, where they were being held for a new gas chamber, to now purchase a used 4WD pickup for the Animal Shelter. It will replace a vehicle with 300+ thousand miles.

Home Health

No budget has been submitted for the County's Home Health Agency based on the decision to sell the County's Home Health License to a private operator. The objective is to have the Home Health Agency under private operation by July 1, 2014. In case this does not happen, \$17,000 has been placed in a Home Health contingency line item to cover an additional Home Health operation, if required.

Comprehensive Land Use Plan

At the direction of the BOCC, funding has been included in this budget proposal to complete the matching funds for the County's new comprehensive land use plan, which is under development. Per direction of the BOCC, the County will again pay \$10,000 of the \$15,000 match requirement and the three municipalities in the County will again pay the remaining \$5,000, based on a per capita allocation of their populations. The remaining funds for the plan development will come from a grant that was obtained through the Health Department.

Purchase of "Autumn Square" Building

So far, the purchase of the "Autumn Square" Building has worked out as planned for the county. The Vehicle Maintenance Department has made its full transition to the building, and efficiency has shown a significant improvement. With the exception of one office, all of the office space has been leased at the building and lease revenue is exceeding the debt payment for the facility, which prevents tax dollars going toward the debt.

Fire Departments and Fire Tax

My budget recommendation keeps all fire tax at the current rate of 6.5 cents. The Rural Hall Fire Department requested \$14,462 above what the current fire tax and Rural Hall Fire Department fund balance will provide. These additional funds are needed toward the debt of recently purchased fire trucks. It is my recommendation that these additional funds not be provided, as it will set a precedent for the same type of request from all other fire departments. It should also be noted that the Fire Commission has provided a "heads up" that it will requesting a 1.5 cent fire tax increase in the FY 2015/16 Budget to address personnel and equipment needs.

Emergency Communications Upgrade

The emergency communications upgrade is still underway due to delays from the State, which now have all been worked out. The State is now making the long awaited P25 conversion in June of 2014, which is driving the schedule for the completion of the County's fire department radio conversions to VIPER. The fire department radio installations are targeted for completion by the end of July 2014, which will complete the emergency communications upgrade project for the County.

Addition of New Building for Health Department

Construction and equipping of the new building for the Health Department has been completed as approved by the Stokes County BOCC. The expansion was needed for additional administrative space, which will in turn provide more clinical space. The addition was funded by Title XIX Medicaid funds. The large Title XIX Medicaid fund balance is now approaching zero balance from construction of the building plus expenditures on authorized Health Department programs.

Miscellaneous Requests from Outside Agencies

Several outside agencies requested and were recommended for funding in the Stokes County FY 2014/15 Budget proposal. Agencies that received funding and the ones that were denied funding in the recommended budget are both listed below:

- YVEDDI – Request for weatherization funding was recommended due to the end of the CDBG Scattered Site Housing Rehab Program (\$3,060). Total for all YVEDDI programs was \$182,555.
- Roanoke River Basin – Request was denied (\$3,500)
- N.C. Wildlife Resource Commission Beaver Management Assistance Program – Request was not received this year
- N.C. Forestry Service - Request for temporary smoke chaser funding was recommended to support two major controlled burns and additional support to fire departments at fire scenes (\$15,701)
- Stokes County Fire Association - Provided \$14,495 a \$2,165 reduction

Summary

In summary, my recommended budget attempts to place the County in the best possible position to absorb both the loss of “Hold Harmless” funding and Revaluation revenue reduction over the next two to four years. It also provides a forward look, as stated by the budget theme, on how the County will have to proceed to successfully manage a difficult budget environment during the next few years.

- **What this recommended budget does not do.....**
 - Does not increase Ad Valorem taxes
 - Does not furlough or lay off any full time county employees
 - Does not eliminate or reduce any existing services to our citizens, but does end county ownership and operation of the county’s Home Health agency
 - Does not reinstate any of the unfunded positions from the FY 2011/12 Budget

- **What this recommended budget does do.....**
 - Appropriates County General Fund dollars to balance the budget
 - Keeps the projected County General Fund Balance in close proximity to 20% for the FY 2014/15 Fiscal Year
 - Funds a limited amount of capital outlay for essential equipment
 - Continues to pay 100% of employees' health, vision and dental care premiums with no benefit changes
 - Provides a COLA and amends current pay scale for all eligible full and part-time employees
 - Increases part time salary rate by \$2.00 per hour for Public Safety personnel who are difficult to recruit

Conclusion / Recommendations

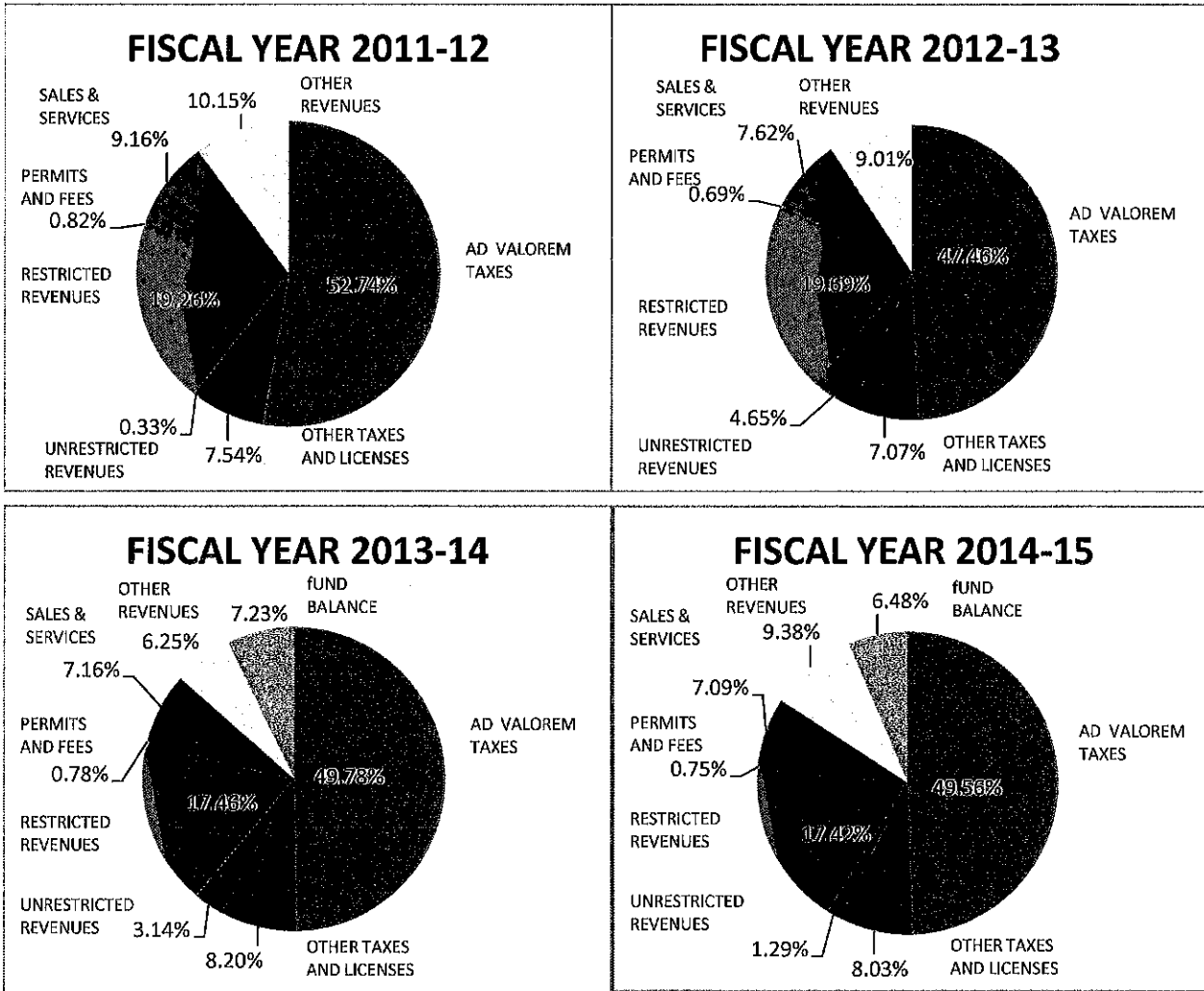
In previous budgets, I have referred to Stokes County entering a "Perfect Storm" as we try to navigate difficult budget waters between now and FY 2017/18. I think this is still true, and budget decisions will become more difficult as the County moves into the FY 15/16 budget development process. The FY 2014/15 budget proposal is the last one that will preserve a General Fund Balance at the desired levels unless taxes are raised or services are reduced or eliminated. This should have already occurred except for the receipt of unexpected revenue this year in the amount of \$1.12 Million of Hold Harmless funds plus some other smaller revenue increases. The budget challenges that are now in clear view for next year cannot be addressed by making small changes around the fringes. The removal of the \$2.5 to \$3.0 Million deficit bubble that has moved from year-to-year will require significant changes in the budget thought process if the county is to maintain its strong financial position during the next two to four years. The obvious challenge will be generating sufficient revenues to keep services at acceptable levels, without reducing the County's General Fund balance to an unacceptable level. The first step in this process is for the BOCC to adopt my recommended budget for 2014/15 and to start thinking now about the FY 2015/16 budget, where the excess General Fund balance above 20% will be depleted and any additional revenue that is required will have to come from taxes or some other source. It's my opinion that my recommended budget for this year addresses all major budget issues faced by the County for FY 2014/15 and looks forward to prepare the County for future budget challenges.

It is my formal recommendation that the BOCC adopt my recommended budget of \$43,860,097 for the FY 2014/15 Fiscal Year.

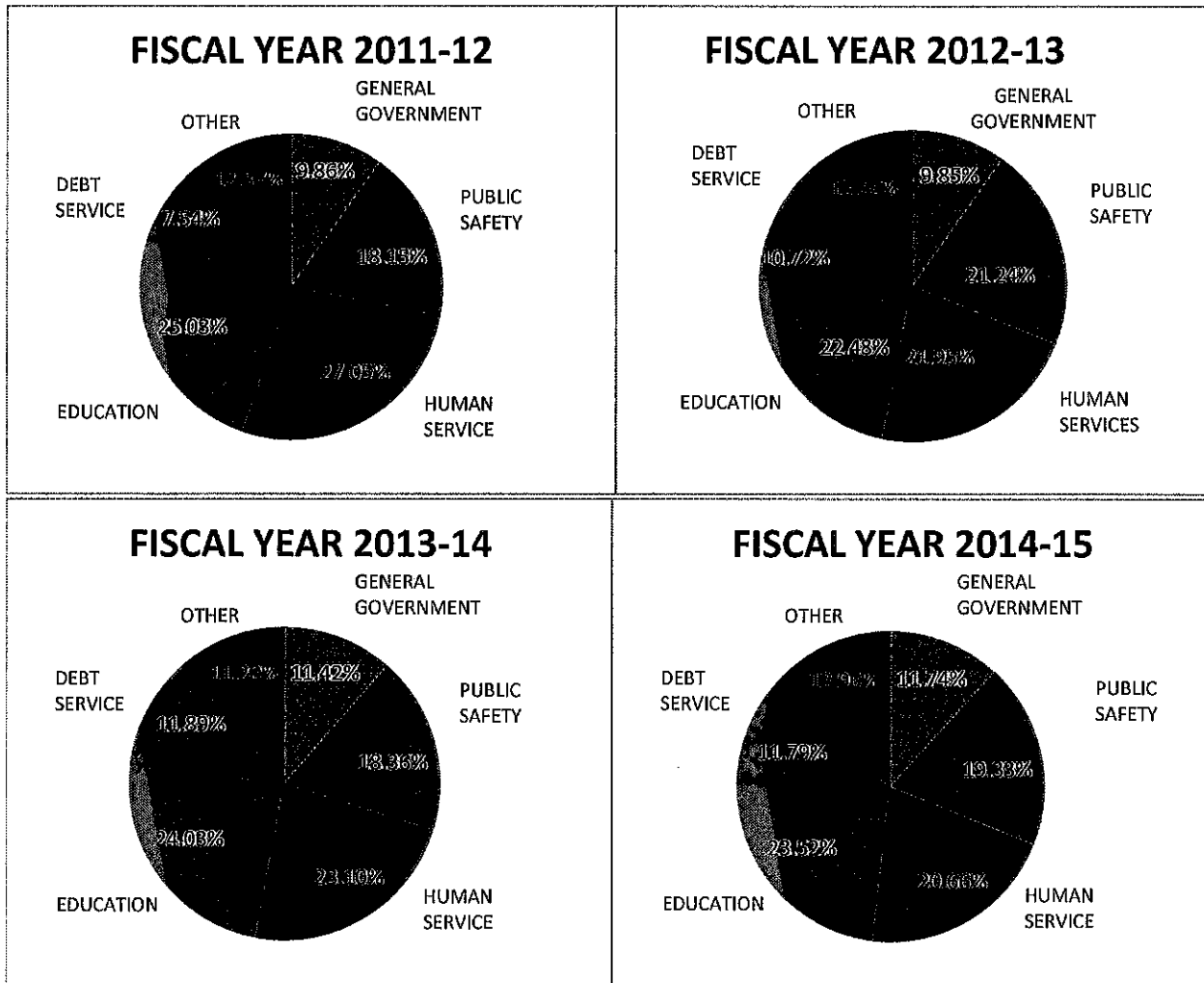
This budget message includes the following three attachments:

- **Attachment #1** is a graphic comparison of revenues and expenses in the current and recommended budget.
- **Attachment #2** is a list of the capital equipment requested by each department head and which items were approved for the budget proposal.
- **Attachment #3** is a list of personnel requests from the department heads and the requests that were approved for the budget proposal.

COMPARISON OF FISCAL YEARS



COMPARION OF FISCAL YEARS



GENERAL GOVERNMENT

Administration
 Elections
 Finance
 Governing Body
 Information Sys.
 Legal
 Mapping/GIS
 Public Buildings
 Purchasing
 Register of Deeds
 Superior Court
 Tax Administration
 Vehicle Maint.

PUBLIC SAFETY

Animal Control
 Day Reporting Center
 Emer. Commun.
 Emer. Mgt.
 EMS
 Fire Marshal
 Jail
 Medical Examiner
 Sheriff's Dept.

HUMAN SERVICES

Aid to Blind
 Child Daycare
 Environmental Health
 Family Health Center
 Home Health
 KING CLINIC
 Medicaid
 Mental Health
 Public Assistance
 Senior Services
 Social Services
 Veteran Svcs.

OTHER

Solid Waste Coll
 Coop. Ext.
 Econ. Deve.
 Natural Resources
 Planning & Insp.
 Arts Council
 Libraries
 Parks
 Recreation
 Special Approp.
 Transfers
 Contingency

EDUCATION

DEBT SERVICE

Department	Description	Request	Recommended	Funding	Amount
Administration	Computer	\$ 2,500.00	\$ 2,000.00	Finance	
Animal Control	Truck (Used)	\$ 20,000.00	\$ 15,000.00	Capital Reserve Fund	
Cooperative Extension	Computer	\$ 2,100.00	\$ 2,000.00	Finance	
Emergency Communications	Propagation Radio Study by Motorola	\$ 500.00	\$ 500.00	General Fund	
	Private backup 800 mHz Radio System (2)	\$ 150,000.00	\$ -	General Fund	
	Mobile AVL Mapping-Site license	\$ 27,205.00	\$ -	General Fund	
	State Link interface with CAD	\$ 27,944.00	\$ -	General Fund	
	Response plans module with CAD	\$ 13,469.00	\$ -	General Fund	
	1 (2) Laptops	\$ 3,000.00	\$ 1,500.00	General Fund	
	Security video system	\$ 1,800.00	\$ -	General Fund	
		\$ 223,918.00	\$ 2,000.00		
Emergency Management	Battery bank charger	\$ 1,040.00	\$ 1,400.00	General Fund	
Emergency Medical Services	Garmin GPS 18X (8 @ \$80 each)	\$ 640.00	\$ -	General Fund	
	Stryker Stretchers (5 @ \$7,796 each)	\$ 38,980.00	\$ -	General Fund	
	1 Ambulance Type III (2)	\$ 324,000.00	\$ 162,000.00	Finance	
	Chevrolet Suburban (2)	\$ 100,000.00	\$ -	Finance	
	5 Panasonic Tough book (7)	\$ 44,400.00	\$ 30,000.00	Finance	
	Panasonic Rugged (2)	\$ 9,300.00	\$ -	General Fund	
	2 HP Office Jet Printer (3)	\$ 1,050.00	\$ 750.00	General Fund	
	2 Computers (8)	\$ 12,000.00	\$ 6,000.00	Finance	
	Stryker Stair Chairs (9)	\$ 24,156.00	\$ 24,156.00	General Fund	
	ALS Simulator	\$ 13,300.00	\$ -	General Fund	
	12 x 26 x 10 shelter	\$ 1,900.00	\$ -	General Fund	
		\$ 569,726.00	\$ 222,906.00		
Finance	Folder/Inserter Machine	\$ 8,500.00	\$ -	General Fund	
	(4) Computers	\$ 8,000.00	\$ 8,000.00	Finance	
		\$ 16,500.00	\$ 8,000.00		
Forsyth Tech	Storage Building 12 x 24	\$ 6,500.00	\$ -	General Fund	
Information Systems	Computer	\$ 2,500.00	\$ 2,500.00	Finance	
	ASA Appliance Upgrade	\$ 6,700.00	\$ 6,700.00	General Fund	
	Replace (2) Switches	\$ 3,300.00	\$ 3,300.00	General Fund	
		\$ 12,500.00	\$ 12,500.00		
Jail	Computer	\$ 2,000.00	\$ 2,000.00	Finance	
		\$ 2,000.00	\$ 2,000.00		
Purchasing	Computer	\$ 2,500.00	\$ 2,000.00	Finance	
	Postage Machine Replacement	\$ 12,390.00	\$ -	General Fund	
		\$ 14,890.00	\$ 2,000.00		
Public Buildings	French drain around administration building	\$ 10,000.00	\$ 10,000.00	General Fund	
	Roof Community Service Bldg	\$ 33,000.00	\$ -		
		\$ 43,000.00	\$ 10,000.00		
Register of Deeds	Computer	\$ 2,000.00	\$ 2,000.00	Technology Funds	
		\$ 2,000.00	\$ 2,000.00		
Revaluation	Computer (3)	\$ 6,000.00	\$ 6,000.00	Finance	

Department	Description	Request	Recommended	Funding	Amount
Sheriff's Department 6 CARS/1 SUV	7 10 cars (9 marked/1 SUV)	\$ 280,000.00	\$ 196,000.00	Finance	
	3 Computer	\$ 6,000.00	\$ 6,000.00	Finance	
	Investigation Equipment	\$ 1,705.00	\$ 1,705.00	General Fund	
	Camera Equipment	\$ 500.00	\$ 500.00	General Fund	
	Body Armor Vest (5)	\$ 2,825.00	\$ 2,825.00	Grant	
	Turn out gear	\$ 2,800.00	\$ 2,800.00	General Fund	
	Monitor pagers (2)	\$ 876.00	\$ 876.00	General Fund	
		<u>\$ 294,706.00</u>	<u>\$ 210,706.00</u>		
Solid Waste	Zero Turn Mower	\$ 9,480.00	\$ -	General Fund	
	Compactor	\$ 13,750.00	\$ 13,750.00	Grant	
	Electric Work for compactor	\$ 9,000.00	\$ 9,000.00	Grant	
	(2) 40 cubic yard recycling boxes	\$ 13,000.00	\$ 13,000.00	Grant	
	(8) Replacement Dumpsters	\$ 8,000.00	\$ 8,000.00	General Fund	
		<u>\$ 53,230.00</u>	<u>\$ 43,750.00</u>		
Superior Court	Carpet & Tile	\$ 10,000.00		General Fund	
Tax Administration	1 (3) Computers	\$ 6,000.00	\$ 2,000.00	Finance	
	New Tax Software	\$ 400,000.00	\$ 400,000.00	Finance	
		<u>\$ 406,000.00</u>	<u>\$ 402,000.00</u>		
Vehicle Maintenance	Truck	\$ 20,000.00	\$ -	General Fund	
	Total	\$ 1,706,610.00	\$ 944,262.00		
	Grant	\$ (26,750.00)	\$ (30,000.00)	Grant	
	ROD Technology Funds	\$ (2,000.00)	\$ (2,000.00)	ROD Technology Funds	
	BPV Grant	\$ (2,828.00)	\$ (2,828.00)	BPV Grant	
	Capital Reserve Fund	\$ (19,500.00)	\$ (15,000.00)	Capital Reserve Fund	
	Finance	\$ (1,104,000.00)	\$ (828,000.00)	Finance	
		<u>\$ 551,532.00</u>	<u>\$ 66,434.00</u>	General Fund	
Danbury Water	Computer	\$ 2,000.00	\$ 2,000.00	Danbury Water Fund	
Walnut Cove Senior Center	Computer	\$ 2,000.00	\$ 2,000.00	Walnut Cove Senior Center Fund	

Department	Description	Request	Recommended	Funding
Environmental Health				
Environmental Health Specialist	Funded unfunded position	73 01A \$ 35,274.07		
		FICA \$ 2,186.99		
		Medicare \$ 511.47		
		Retirement \$ 2,529.15		
		401K \$ 352.74		
		Insurance \$ 4,959.00		
		Dental \$ 330.00		
		Unemploy \$ 214.00		
	Total	\$ 46,357.42	\$ -	GENERAL FUND
Finance				
Finance Accounting Tech I		59 02A \$ 20,573.02		
		FICA \$ 1,275.53		
		Medicare \$ 298.31		
		Retirement \$ 1,475.09		
		401K \$ 205.73		
		Insurance \$ 4,959.00		
		Dental \$ 330.00		
		Unemploy \$ 214.00		
	Total	\$ 29,330.68	\$ -	GENERAL FUND
Public Buildings	On Call Pay	\$ 10,400.00		GENERAL FUND
Revaluation				
Real Property Appraiser II to Assist Tax Assessor		70 11A \$ 37,884.00		
		71 11A \$ 39,400.00		
		\$ 1,516.00		
		FICA \$ 93.99		
		Medicare \$ 21.98		
		Retirement \$ 108.70		
		401K \$ 15.16		
	Total	\$ 1,755.83	\$ -	GENERAL FUND
Sheriff's Department				
Reclass Administration Assistant to Administrative Officer I		65 07 B \$ 32,215.04		
		67 11 A \$ 33,678.32		
		\$ 1,463.28		
		FICA \$ 90.72		
		Medicare \$ 21.22		
		Retirement \$ 104.92		
		401K \$ 14.63		
	Total	\$ 1,694.77	\$ 1,694.77	GENERAL FUND
Social Services				
Income Maint. Administrator I		72 01B \$ 33,762.35		
		FICA \$ 2,093.27		
		Medicare \$ 489.55	FEDERAL \$ 24,440.29	
		Retirement \$ 2,420.76	STATE \$ 776.87	
		401K \$ 337.62	COUNTY \$ 19,389.39	
		Insurance \$ 4,959.00	\$ 44,606.55	
		Dental \$ 330.00		
		Unemploy \$ 214.00		
	Total	\$ 44,606.55		
Social Worker II		67 01B \$ 27,749.83		
		FICA \$ 1,720.49		
		Medicare \$ 402.37	FEDERAL \$ 28,232.14	
		Retirement \$ 1,989.66	STATE \$ 7,528.57	
		401K \$ 277.50	COUNTY \$ 1,882.14	
		Insurance \$ 4,959.00	\$ 37,642.85	
		Dental \$ 330.00		
		Unemploy \$ 214.00		
	Total	\$ 37,642.85	\$ 37,642.85	

Department	Description	Request	Recommended	Funding	
Social Worker II	67 01B	\$ 27,749.83			
	FICA	\$ 1,720.49			
	Medicare	\$ 402.37	FEDERAL	\$ 28,232.14	
	Retirement	\$ 1,989.66	STATE	\$ 7,528.57	
	401K	\$ 277.50	COUNTY	\$ 1,882.14	
	Insurance	\$ 4,959.00		\$ 37,642.85	
	Dental	\$ 330.00			
	Unemploy	\$ 214.00			
	Total		\$ 37,642.85	\$ 37,642.85	
	Total		\$ 209,430.95	\$ 76,980.47	
FEDERAL		\$ (80,904.57)	\$ (56,464.28)	FEDERAL	
STATE		\$ (15,834.01)	\$ (15,057.14)	STATE	
		\$ 112,692.37	\$ 5,459.05	General Fund	