

**Yadkin County Board of Commissioners
Minutes from Recessed Meeting - Budget Work Session
June 17, 2009**

Members Present

Chad Wagoner - Chairman
Kevin Austin - Vice-Chairman
David Moxley - Commissioner
Brady Wooten - Commissioner

Tommy Garner - Commissioner
(Arrived at 7:35pm)

Staff Present

Stan Kiser - County Manager
Sheron Church - Finance Director
Gina Brown - County Clerk

The Yadkin County Board of Commissioners reconvened in the Commissioners' Meeting Room of the Human Resources Building at 217 East Willow Street, Yadkinville, North Carolina in order to discuss the proposed budget for 2009-2010 and other business items. Chairman Wagoner called the meeting back to order at 6:34pm.

General Business

(1) County Manager Kiser reported that there continues to be questions of a separate audit for the Tourism Development Authority. Bobby Todd and Johnny Lancaster will participate in a conference call with the LGC. The estimated \$3500-\$5000 cost has been added to the budget.

(2) Finance Director Church had consulted with various departments and determined that the best estimate of appropriations from fund balance for the current fiscal year will be \$2.3 million. Additional revenues from DSS and Health Department will be received after the fiscal year has ended. Final numbers will not be available until the end of October or first of November once the audit is complete. Vice Chairman Austin noted the importance of tracking these numbers periodically throughout the fiscal year. County Manager Kiser reported that sales tax revenues will meet or exceed expectations. Article 44, however, was over estimated in the prior budget. Medicaid Hold Harmless was budgeted at \$325,000 and is no longer available.

(3) Vice Chairman Austin noted that salaries for the Building Inspections Department had exceeded the budgeted amount and asked if a budget amendment is required. County Manager Kiser reported that the budget amendment was reviewed and approved, along with others, on June 15, 2009.

(4) Vice Chairman Austin reported that Rusty Crissman of Crissman, Mendenhall, Steelman Insurance would be attending tonight's meeting to discuss gaps in the proposed property and casualty insurance.

(5) Several matters concerning the Yadkin County Health Department were presented as follows:

- a. Budget Amendment - Revenues and expenses for the dental clinic exceeded budget amounts.
- b. Board Appointment - Yadkin County Board of Health recommends Terre M. Smith as the pharmacy representative on the Board.
- c. Medicaid Reimbursement Rate and Sliding Fee Scale - An increase to 60% is requested.

Commissioner Wooten made a motion to approve the budget amendment as presented. Vice Chairman Austin second.

Vote: 4/0

[Budget Amendment is attached as Addendum A]

Commissioner Wooten made a motion to approve the appointment of Terre M. Smith to the Yadkin County Board of Health as the pharmacy representative. Chairman Wagoner second.

Vote: 4/0

Vice Chairman Austin made a motion to approve the Medicaid Reimbursement Rate and increase the Sliding Fee Scale as presented. Commissioner Wooten second.

Vote: 4/0

(6) Regarding proposals for the replacement of the heat and air unit of the Human Resources Building, Clerk Brown reported that Lomar proposes to replace the existing 5-ton unit with the same.

Commissioner Wooten made a motion to accept the proposal of Lomar for the installation of a heat and air unit for the Human Resources Building as well as the budget amendment for this project. Vice Chairman Austin second.

Vote: 4/0

[Budget Amendment is attached as Addendum B]

(7) Clerk Brown presented documents and minutes regarding a \$50,000 loan to the Town of East Bend for water and sewer extensions. Commissioner Wooten and Vice Chairman Austin, representing the Utilities Committee, will review these documents and discuss at the evening meeting of July 20, 2009.

(8) Registration packets for the annual meeting of the North Carolina Association of County Commissioners were made available to Board members.

Budget

Vice Chairman Austin reported that in the prior fiscal year, approximately \$600,000 was the budget appropriation from fund balance. At year-end audit, there had been an increase in revenues of approximately \$1.7 million making a \$2.2 million impact. In the fiscal year prior to last, \$300,000 was the appropriation with a final impact of \$2.3 million. Chairman Wagoner surmised that the County's interest rates on loans are a factor in these figures. Vice Chairman Austin commented that interest rates do not necessarily bear with recession.

Chairman Wagoner made a motion for the Yadkin County tax rate to remain at \$0.76 for the upcoming fiscal year. Commissioner Moxley second. Commissioner Garner stated that he would like to see the tax rate remain the same for the upcoming year with the possibility of reducing the rate with the next budget cycle. Commissioner Garner continued that the hospital is an unknown factor as well as State funds. Commissioner Garner pointed out that all 5 of the current Board members would be in office during the next budget cycle.

Commissioner Wooten made a motion to amend Chairman Wagoner's motion decreasing the tax rate to \$0.73 rather than remaining at \$0.76. Vice Chairman Austin second.

Chairman Wagoner withdrew his original motion. Commissioner Moxley withdrew his second.

The amended motion of Commissioner Wooten is null and void.

Chairman Wagoner made a motion to accept the budget as presented by County Manager Kiser with noted adjustments from prior budget meetings and an additional \$650,000 for Yadkin County Schools, designating \$400,000 for current expense and \$250,000 for capital outlay with regard to start-up costs of the middle schools. Commissioner Moxley second.

Commissioner Wooten, stating that discussion would be lengthy, suggested a recess until Monday, June 22. Chairman Wagoner stated that a subsequent meeting could be established, if needed, at the end of tonight's discussion.

Commissioner Garner made a substitute motion to accept the budget as presented with the current tax rate and no additional funding for Yadkin County Schools. County Manager Kiser noted that Chairman Wagoner's motion would result in \$1,255,000 for capital and \$6,886,000 for current expense for Yadkin County Schools. Commissioner Garner withdrew his motion.

Commissioner Moxley stated that he had reviewed the budget data provided by Yadkin County Schools. Commissioner Moxley believes that there are legitimate expenses for insurance, utilities, library, and others. Considering the cuts in lottery funds and ADM, Commissioner Moxley is willing to support an additional \$650,000 for Yadkin County Schools. Commissioner Wooten asked how this additional expense would be funded. Commissioner Moxley responded that these funds would be deducted from fund balance. Vice Chairman Austin expressed concerns for the capital outlay in the coming years. Commissioner Garner and Commissioner Moxley agreed that the increased capital outlay would be a one-time expense for the start-up of the middle schools. Chairman Wagoner did not agree. Chairman Wagoner intended that there would be an appropriation of capital outlay in the next budget cycle but stated that could be held for discussion at that time. Vice Chairman Austin believes the issue is an appropriation from fund balance that Board members can feel comfortable with. Chairman Wagoner noted that an additional \$650,000 for Yadkin County Schools would increase the appropriation from fund balance to \$1,487,758. Vice Chairman Austin stated that he would feel more comfortable with an \$800,000 appropriation. Further, Vice Chairman Austin stated that COLA was suspended this year and not likely to be suspended in the next budget cycle. Costs continue to increase. Tax revenues will remain the same for the next 4 years. Vice Chairman Austin stated it would not be wise to enter into the next 4 years with a large appropriation from fund balance. Chairman Wagoner remarked that if figures from earlier discussion hold true, there will be a \$500,000 positive impact on the fund balance at the end of the next budget year. Vice Chairman Austin stated that the budget will continue to fall short each year if the trend continues.

The Board agreed to suspend discussion on the current motion to allow a presentation by Rusty Crissman.

Rusty Crissman of Crissman, Mendenhall, Steelman Insurance (CMS) appeared before the Board to present data regarding a proposal for property and casualty insurance from WN Ireland. Mr. Crissman reported that there are gaps in coverage proposed by WN Ireland when compared to the County's current policy with CMS. Mr. Crissman, as the County's current broker, stated that he felt an obligation to make the Board aware of these discrepancies. Mr. Crissman thoroughly compared each policy outlining potential gaps in coverage. Mr. Crissman submitted a renewal offer for the Board's consideration. County Manager Kiser noted that Mark Brandon of WN Ireland Insurance would be given the same opportunity to present information to the Board at the next meeting.

Chairman Wagoner called for a recess at 8:35pm. Meeting reconvened at 8:45pm.

Current motion on the table...

Chairman Wagoner made a motion to accept the budget as presented by County Manager Kiser with noted adjustments from prior budget meetings and an additional \$650,000 for Yadkin County Schools, designating \$400,000 for current expense and \$250,000 for capital outlay with regard to start-up costs of the middle schools. Commissioner Moxley second.

Vice Chairman Austin made a substitute motion to adopt the budget as presented by County Manager Kiser with noted adjustments from prior budget meetings and an additional \$400,000 for current expense and \$250,000 for capital outlay for Yadkin County Schools; a maximum of \$1,000,000 appropriated from fund balance; a reduction in the tax rate to \$0.73; and the necessary cuts to meet these amounts. Commissioner Wooten second. Vice Chairman Austin stated there were 2 unfilled positions in DSS, 2 unfilled positions in the Health Department, and 1 unfilled position in Communications. Vice Chairman Austin suggested that these 5 positions be eliminated as well as establishing a hiring freeze. Vacant positions would be reviewed and approved by the Board. County Manager Kiser pointed out that position data was presented early in the budget process and that those vacant positions may be filled at this date. Chairman Wagoner stated that he did not feel comfortable with arbitrarily eliminating positions without further information. Vice Chairman Austin suggested that the responsibilities of vacant positions could be divided among the remaining employees. This could be

accomplished particularly in the larger departments. It was further pointed out that certain DSS and Health Department positions are funded with State and Federal dollars. Commissioner Garner stated that he was surprised with the decrease in the DSS budget from last year. Vice Chairman Austin offered that DSS may have been grossly over budgeted in the prior year. County Manager Kiser believes that various departments are understaffed and eliminating positions would not be prudent. Commissioner Wooten stated that the number of employees per department should be carefully reviewed.

Commissioner Wooten made a motion to postpone further budget discussion and recess until Monday, June 22, 2009. Vice Chairman Austin second. County Manager Kiser suggested that the Board meet during regular business hours so that department heads are available to answer questions regarding positions or other budget matters.

Vote: 2/3

(Motion failed with Garner, Moxley, and Wagoner voting against.)

It was suggested that employee work hours could be reduced to 36 per week. This reduction in hours would represent a 10% decrease in salaries. Each department would be responsible for scheduling so that business hours would be maintained as usual. EMS, Sheriff's Office, and Communications would not be affected by the reduction in hours. Chairman Wagoner stated this is not prudent in a year with no COLA. Commissioner Garner did not feel that this reduction in employee hours would be a significant budget savings. Vice Chairman Austin responded that salaries are the largest portion of County expense.

Recently, Chairman Wagoner had conversations with 2 individual County employees. One employee has a salary of approximately \$20,000. Reducing the tax rate by \$0.03 as proposed would result in a savings of \$36 on a \$120,000 home. On the other hand, even a 1% COLA on a \$20,000 salary would result in an increase of \$200. This particular County employee stated that he would be angry if the tax rate is decreased. Chairman Wagoner further remarked that a reduction in the tax rate would be a disservice to County employees. Commissioner Wooten remarked that, in this scenario, 5.5 taxpayers would bear the burden of a \$200 salary increase. Commissioner Garner pointed out that County employees are also constituents and should be heard. Commissioner Wooten surmised that for every 1 taxpayer that did not agree with the decrease in the tax rate, there would be 1000 that agreed. Commissioner Garner suggested that those 1000 taxpayers are capable of paying their taxes. Further, Commissioner Garner remarked that taxes are no more a burden on Yadkin County citizens than in any other county. Commissioner Wooten commented that the current tax rate discourages industry from investing in Yadkin County.

Chairman Wagoner noted the recent opening of Nonni's Foods in Yadkin County and the expansion of Lydall and Phillips Van Heusen. Chairman Wagoner stated that he truly believes that a \$0.03 reduction in the tax rate will not benefit the taxpayer but will severely impact the future of Yadkin County. Chairman Wagoner feels that the suggestion to reduce the tax rate is a "smoke and mirrors" gesture.

Commissioner Wooten stated that there would be additional pressure on next year's budget. Steps should be taken to eliminate expenses with this budget in order to ease the burden in the coming years. Vice Chairman Austin added that a \$1.5 million appropriation from fund balance in the coming year would result in a greater appropriation in the following years. Commissioner Garner commented that State and lottery funds may be available in the next budget year. Hoots Hospital may operate profitably and not require additional funding. Commissioner Wooten stated that these are unknown factors. Commissioner Garner and Chairman Wagoner agreed, stating that is precisely why the tax rate should remain as is with the potential to reduce the rate in the next budget cycle. County Manager Kiser noted the departmental reductions in expenditures compared to last year's budget, summarizing that cuts have already been made. Commissioner Wooten suggested that these cuts are misleading in that capital items have been removed throughout the budget. Delaying capital purchases until the next budget year is not a cut in expenditures. Costs continue to rise, employees continue to receive step increases, health insurance premiums continue to increase, and so on. Commissioner Garner stated that there continue to be unknown factors and those adjustments can be made when necessary. Commissioner Wooten acknowledged the proposed cuts and commended County Manager Kiser for this accomplishment. Commissioner Wooten stated, however, that these cuts were made in order for the budget to remain flat. There are capital needs that will have to be addressed in the next budget cycle. Chairman Wagoner asked Commissioner Wooten how he proposed to lower the tax rate knowing that there are capital needs and knowing that the County is currently operating at bare minimum. Chairman Wagoner commented that cuts cannot be made on an arbitrary basis. Commissioner Wooten did not intend to make arbitrary cuts. Chairman Wagoner asked for specific suggestions on budget cuts. Commissioner Wooten was willing to go through every page and every line item of the budget. Commissioner Garner asked Commissioner Wooten if he could condense his proposed cuts and present them at a subsequent budget meeting. Commissioner Wooten suggested that the discussion would be lengthy but the County should do what is necessary to lower the tax rate to \$0.73. Commissioner Garner stated that he had agreed at one time, but sees the expenses and needs of the County too great for a tax rate reduction. Vice Chairman Austin stated that he talks to a lot of citizens. There

are a lot of citizens that care a great deal about \$36 per year. These citizens live paycheck to paycheck or have family members that are out of work. There are families that don't eat a happy meal once per month and are working diligently for every dime. When the property taxes come due, these families must make hard choices to get them paid.

Commissioner Wooten stated that a freeze on hiring and pay increases, reduction in travel and overtime, and elimination of non-essential capital projects are some suggestions on reducing the budget. Yadkin County is facing a shrinking fund balance. Further, Commissioner Wooten believes that the recessed economy will cause a reduction in tax collections and an overall rise in costs. Step increases, salary, and longevity pay for County employees is a rising expense. County Manager Kiser offered that costs are directly related to the demand for services. A slow economy drives citizens to rely more heavily on services.

Commissioner Wooten suggested that the proposed budget offers a freeze on certain expenditures but does not offer permanent spending cuts. Vice Chairman Austin remarked that the budget does not reflect a change in spending behaviors. Commissioner Moxley pointed out that departmental cuts were made by the County Manager prior to the budget presentation to the Board. Vice Chairman Austin remarked that Yadkin County has had no cuts in the budget and no department proposes to do business any different than before. Commissioner Wooten noted that a \$15,000 request for renovation was removed from the original budget of the Tax Assessor's Office. Commissioner Wooten stated this was a delay, not a change in spending. Chairman Wagoner asked Commissioner Wooten how he intended to modify the spending behavior of Tax Administrator, Mrs. Adams. Commissioner Wooten replied that spending behaviors can be addressed by reviewing each line item of every department. Chairman Wagoner and Commissioner Garner both stated that they did not wish to review the budget line by line. Commissioner Moxley noted that a \$0.03 reduction in the tax rate would result in \$750,000 reduction in revenues. Expenses of \$750,000 would have to be eliminated to accommodate this tax rate reduction.

Vice Chairman Austin reminded the Board of his earlier proposal to postpone jail construction and appropriate the debt service and operating expense to the proposed budget for 2009-2010 accommodating a tax rate reduction and eliminating excessive draining of fund balance. Commissioner Garner asked if a debt payment had already been made on the jail loan. Vice Chairman Austin commented that there is no repayment penalty on the loan. Debt service of \$512,000 and operating expenses of \$871,000 could be applied to the schools

and help reconcile the \$0.03 decrease in the tax rate. Commissioner Garner stated that Judge Craig's ruling on the jail issue is expected on the following day and suggested that further discussion be postponed until the ruling is known. County Manager Kiser stated that \$1,237,000 in cuts would be required to meet Vice Chairman Austin's motion. Vice Chairman Austin suggested that \$1,383,000 diverted from the jail project would leave approximately \$150,000 additional funds to appropriate to the Sheriff's Office.

Chairman Wagoner remarked that it was such a matter of convenience that every issue comes right back to the jail. Commissioner Wooten commented that the jail represents a large expense for the County. Chairman Wagoner reiterated that 3 seated Boards agreed to build a new jail and 2 of those Boards agreed to construct the new jail in a certain location, yet this issue, conveniently, tends to arrest all other issues. Vice Chairman Austin commented that he gave his assurance over a year ago that if the County changed directions and built downtown, there would be no resistance from the group [citizens opposed to the construction of a jail on Hoots Road]. Vice Chairman Austin further stated that he had no control over this group, but in the initial stages, the group agreed that they would not fight a downtown location nor would the attorney represent anyone on that matter. Commissioner Moxley asked if the citizens would be more receptive of the tax rate if the County committed to building the jail downtown at the same cost with the same debt service amount. Vice Chairman Austin stated that his proposal is one way that the County can meet the funding needs. Chairman Wagoner asked Vice Chairman Austin if he would feel comfortable with a tax rate of \$0.76 if the jail was built downtown for the same construction cost. Vice Chairman Austin replied that the County could only do what it could do. Vice Chairman Austin stated that the Board has the option to lower the tax rate. Chairman Wagoner stated that the Board has the potential to be sued for the poor condition of the existing jail. Chairman Wagoner feels the jail is an incredible liability to the County and fears the consequences should an inmate be injured. Vice Chairman Austin stated that if this were the case, the County should change directions and build a jail downtown as soon as possible. Chairman Wagoner remarked that Yadkin County already has the land and the plans. The financing and contractor are in place. Vice Chairman Austin stated that the Board could continue debating the issue or the Board could do what's right for the citizens.

Vice Chairman Austin made a motion to postpone further budget discussions and recess until Monday, June 22, 2009 at 6:30pm. Commissioner Wooten second.

Vote: 3/2 (Moxley and Wagoner against)

Motions that remain on the table:

Chairman Wagoner made a motion to accept the budget as presented by County Manager Kiser with noted adjustments from prior budget meetings and an additional \$650,000 for Yadkin County Schools, designating \$400,000 for current expense and \$250,000 for capital outlay with regard to start-up costs of the middle schools. Commissioner Moxley second.

Vice Chairman Austin made a substitute motion to adopt the budget as presented by County Manager Kiser with noted adjustments from prior budget meetings and an additional \$400,000 for current expense and \$250,000 for capital outlay for Yadkin County Schools; a maximum of \$1,000,000 appropriated from fund balance; a reduction in the tax rate to \$0.73; and the necessary cuts to meet these amounts. Commissioner Wooten second.

The Board will reconvene on Monday, June 22, 2009 at 6:30pm in the Commissioners' Meeting Room of the Human Resources Building at 217 East Willow Street, Yadkinville, North Carolina.

Meeting recessed at 9:40pm.

Prepared by Clerk to the Board

Date Approved by the
Yadkin County Board of Commissioners