Tuesday, April 16, 2022
Special Called Meeting - Budget

The Beaufort County Board of Commissioner met in for a Special Called Meeting on Thursday, June 10, 2021, at 5:30 PM, in the Commissioners Boardroom located at 136 W. 2nd Street in Washington, NC with the following present:

Commissioners Present
Chairman Frankie Waters
Vice-Chairman Jerry Langley
Commissioner Ed Booth
Commissioner Stan Deatherage
Commissioner John Rebholz
Commissioner Hood Richardson
Commissioner Randy Walker

Staff Present
Brian Alligood, County Manager
Kathleen Mosher, Clerk to the Board
David Francisco, County Attorney
Anita Radcliffe, Chief Financial Officer

Vice-Chairman Langley gave the invocation. Commissioner Rebholz led the Pledge of Allegiance.

Conflict of Interest

Chairman Waters asked if anyone had a conflict of interest with anything on the agenda.

No one spoke.

Property Tax Settlement

Mr. Lloyd Salter said I hate to do this during a special session but summer session at property tax is coming up, so I wanted to go ahead and get this out of the way, get this done. He said this is our last open property, real property one. He said just briefly on it, super brief, it is a property that we're recommending, and I spoke to the attorney for a value reduction and around about 10% value reduction from what we've got in there currently. He said we're still going to at or above what the reval value was on it and we're going to $1,784,783. He said this is owned by Golden Arches Corporation.

Commissioner Booth said who's the owner.

Mr. Salter said Golden Arches, it's the McDonald's here in town. He said they did some work after the revaluation, did a little bit of work inside the building and one of our appraisers went up on the value and they contest that it was income approach value and some other things. He said I agree, there's a lot to that. He said you can do a lot of stuff to businesses, and it doesn't always go dollar for dollar. He said looking at the way income works I say that's a fair value, so we went back to the revaluation value.

Commissioner Richardson said $1.7 million.

Mr. Salter said yes sir. He said we're, $1,784,783, down from slightly below $2 million. He said like I said, about a 10% drop from the base. He said we went up a little under $200,000 due to permitting.

Motion: Commissioner Booth motioned to approve the value of the property. Commissioner Walker seconded. The vote was unanimous.

Manager's Recommended Budget Presentation to the Board of Commissioners

Mr. Brian Alligood said you have the budget book in front of you and by statute I'm required to make a presentation to you. He said so I'll do that. He said I appreciate the opportunity to be in front of you again for the fiscal year 22/23 budget.

He said all the Board members have been through the budget process at least twice, I believe so I'm not going to hit to much on that, although people will be watching this, and we want them to clearly understand how we do our budget. He said so as you'll recall, very quickly, we put the budget together in two parts, well three parts actually. He said the first part is the continuation budget and that simply looks at what it takes to continue to do the exact services we're doing this year in next year's budget, and we present that to you. He said the second part is service expansion so if there's anything new or different that increases services or decreases services we ask the department heads to come in individually and speak to you about that because it is the Boards budget and it how you get done what you want to get done for your constituents so we make those presentations to you, or they make those presentations to you. He said I generally handle just the general government ones that impact all of the County. He said it kind of keeps me out of the middle or playing favorites on service expansions, so they make those pitches to you directly and you get to decide whether you like those or not and whether you want to fund those or not. He said then the third part is simply the fee manual, and the fee manual is a part of the budget which you set each year so you're able to recover some of the fees from some of the direct services that are applied to citizens so that those that are using direct services are paying for that, which would make sense. He said the budget is balanced and it is prepared in accordance with policy and procedures according to the Local Government and Fiscal Control Act, which is state law under G.S. 159. He said the budget process began as you know, with the budget planning process that the Board started on January 27th at the Boards retreat. He said this year there were a couple of things at the retreat that you said you wanted to see in the budget that we put in there and then were affirmed at some of the meetings afterwards, so we had a vote on those, and we put those in the budget. He said that's actually the first time we've done that since I've been here, that the Board said you wanted something ahead of time and I appreciate that, that helps us tremendously. He said we present the budget tonight, the recommended budget per statute and then the Board will have work session starting on Thursday and running through next week. He said then you also have a final session which you nail down the budget. He said you're required to have at least one public hearing on the budget. He said we have that scheduled for June 6th which is at you next regular scheduled board meeting. He said that gives the public the opportunity to comment on the budget and for you to take that into consideration. He said we have then scheduled a special called meeting on the 9th for you to adopt the budget if you so choose. He said the Board, in previous years, has also adopted the budget the night of the public hearing but it's at the Boards discretion as to what you want to do however you have to have a budget adopted by June 30th. He said I say this every year, you don't have to, but it is a good thing to have it adopted by June 30th. He said there is a method that you could do a continuation budget but it's really ugly, cumbersome and really messy so you would want to have that approved by June 30th. He said as you'll see on page 2 we went back to the same goals that the Board has always talked about and that is to rely on financial plans and systems in our preparation of the proposed budget. He said we conservatively estimate revenues and expenditures to avoid expectations of performance that are not realistic. He said as you know, sales tax for us has been all over the place. He said it's been really difficult for us to predict and again, we're in that same kind of boat. He said we take the best information we can get from the resources that are available to us, which is the North Carolina Association of County Commissioners and through the League of Municipalities. He said both have folks who are forecasters and try to lay that out for everybody across the state so when you make those decisions you're making them based on an educated guess. He said we also try to create an atmosphere where efforts to spend down throughout the year are discouraged. He said we don't do our budgets like state budgets, we don't do our budgets like federal government budgets where if you don't spend all your money you don't get it next year. He said that style of budgeting causes department heads to say I've got to get that line item to zero by the end of the fiscal year. He said we don't want them doing that. He said if they need money for something to continue operations then we want them to use it but we don't want them to say well I've got to spend it to zero or I won't get it next year. He said as you recall, if you've ever worked in state budgets or federal budgets that's the way they work because they're looking at the number and they say well obviously if you didn't spend it then you didn't need it. He said we want to make sure the departments have what they need to do what they need but we don't want them spending down to zero if they don't have to. He said we also try to present a budget that reevaluates all the expenditures and revenues and allows for policy review and potential revenue reductions or expansions based on policy directives. He said those policies directives come from you, the Board. He said then we also try to find an analysis of county government cost centers so you can see directly, and we can demonstrate where those tax dollars are being spent and what the services are you're receiving for those tax dollars. He said so an overview of the recommended budget, and everybody wants to know this right up front, the recommended budget maintains the tax rate at $0.625 for each $100.00 valuation. He said at that assumed collection rate it will generate approximately $39 million in property tax revenue and as you recall the Board actually reduced the tax rate by $0.01 last year for fiscal year 21/22. He said so it does maintain all County services and programs provided in the prior year and it does establish two new Board approved programs. He said the first program, let me back up, so it does that and this is all done without a tax increase. He said we put in two new programs with a little over $1.6 million. He said we've done that without a tax increase despite the fact we're close to a 40 year high of inflation and the continuing cost of that for services for the next year. He said we've tried to anticipate what the costs are going to be in fuel and as you know we've got a lot of vehicles on the road; we're spending a lot of money on fuel and as that goes up we're trying to anticipate those. He said you'll see that south region for CPI, as of April, is 8.8% so the inflation is there, it's clear, we've tried to anticipate that. He said what we've heard, both from the national side and I was on a conference call last week with one of the forecasters from the general assembly, they believe that inflation has peaked as of last month and it is going to turn down but that doesn't mean it will go back to what it was. He said we're still going to be in this mess at least, they're saying through the end of the year. He said but they said it's peaked and it's going to turn down. He said we've seen that little bump, that downturn, we'll see what the next month looks like. He said so the recommended budget is $64 million. He said this is 6.8% greater than the original 21/22 budget and that increase is driven by the Boards decision to establish a $1 million Beaufort Promise Community College Education funding program and a $746,000 Worker's Compensation fund and of course the increased operational costs due to the rising inflation. He said we feel good that it is a good number and we're pleased that we're able to do that and anticipate those costs and not have to recommend a tax increase. He said the recommended budget increases the K-12 public school funding level over last year by $560,244, or about 3.4%. He said you've heard the Finance Officer talk about a sales tax that's dedicated by statute, that's dedicated to the school system for capital funds. He said that's where that comes in. He said the Community College, you'll see is decreased by $303,231 and that's related to your one-time funding last year. He said remember you funded them one-time last year for the boat building, the start-up for the boat building process, the curriculum. He said so that is where that decrease is at because it was a one-time funding. He said the $1 million Beaufort Promise funding program is a four-year cycle with $250,000 allocated each year for that program where they would charge against that, in our special fund to provide Community College education at no cost to folks in Beaufort County, if they wanted to go to Community College. He said the recommended budget continues to fund the capital improvement fund with $0.01 of the projected property tax revenue. He said that was established by this Board in the fiscal year 19/20 budget so that essentially sets aside one penny and uses that one penny to fund capital improvement projects. He said for years we kind of got a little behind on looking after our capital needs and the Board, in 19/20, said we need to start a process to fix that, and you set aside one penny and you'll see the recommendation for that in the budget. He said the recommended budget also maintains prior years fire and EMS rates. He said those are set each year but there are no changes this year. He said the one thing you may notice about that is you will see, and it's going to be advertised to the folks who live in Bath, the Town of Bath asked, like we did a couple of years ago with the Town of Pantego, if the County would assess that tax on our tax roll instead of the Town paying us directly. He said so in a sense we are incorporating the Town of Bath into the EMS district. He said now that is done through a very special process where we send out a notice to every property owner in the Town of Bath, we have to have a public hearing, the Town of Bath has already done a resolution asking for it to be done. He said the reason they have to do that is because it is a special service district and in a special service district you have to have permission. He said you have to have permission from the municipality to allow to tax in that for a special service district. He said that's how all of our service districts are funded so instead of Bath cutting us a check for the amount for five cent they're saying we want you to levy that just like you do everybody else. He said whether they pull that back off their tax roll, we'll see, that's completely up to them. He said the recommended budget does increase the solid waste fee by $5.00 to offset the cost in increased solid waste disposal and inflation. He said obviously there's a lot of costs associated with that. He said the disposal of solid waste continues to increase, the tonnage continues to increase so that is $5.00 additional to try and offset some of that. He said the other enterprise fund is the Water Fund does not increase water rates overall, but it does make the final adjustments in the 5-year plan that the Board put together to equalize the rates across all the districts. He said you remember at one time when the districts were set up we had multiple rates across all the districts. He said the Board, several years ago, looked at that and said we want to equalize all those rates so we're charging one rate across all the districts and we're now at the end of that five-year period. He said so as of this budget, this fiscal budget, all of those water rates are the same across all the districts. He said we, again, maintain administrative charges to the enterprise funds to offset the costs to the general fund for providing those services and that simply makes sense because there is time that is taken out of, there is staff time that is used for work done for the enterprise funds and if you did not charge the enterprise fund for that then the general fund is subsidizing that. He said so it simply makes sense that if I'm cost allocating my time against that enterprise fund that enterprise fund should be paying for it because enterprise funds are designed to pay their entire share, their entire cost. He said the recommended budget does appropriate $1.6 million in general fund, fund balance. He said $600,000 of that is being used to create an internal worker's comp fund and the remaining $1 million is transferring to a special revenue fund to establish the Beaufort Promise funding scholarship program. He said so going to the general fund in detail, the general fund recommended budget is $67.4 million. He said it, again, maintains the tax rate at $0.625 cent. He said the estimated total valuation in Beaufort County this year is $6.2 billion, with a B. He said that's made up of $5.5 billion in personal property and $633 million in motor vehicles. He said collection for real and personal property taxes are assumed at 98.22% and at 100% for motor vehicles. He said you recall several years ago the state took over taxing motor vehicles. He said we used to tax them and there were all these loopholes where people would get out of paying taxes. He said they'd move their titles around and their license plates around and the tax and tag program went in several years ago so we're now able, any time you do that you've got to pay your taxes first, so they did a really good job working with the Association on that and so we're now able to project that at 100%. He said the real and personal collection rate is up 0.22% for the prior audited period. He said the Local Government and Fiscal Control Act allows us to use that revenue calculation from the budgeted audit from fiscal year 20/21 for our collection rate. He said so we're suing 98.22% and again, that's up 0.22% thanks to the effort of the Tax Collector and his staff. He said 0.22% might not seem like a lot but it is significant. He said when you start getting into that small of numbers, I mean we're at 98.22%, there's not a whole lot left out there and they'll continue to crunch that and get as tight as they can. He said so the estimated real property evaluation is actually up 1.76% from the prior year. He said you will see in the chart, we show this to you every year, it's the eight-year historic tax rate, what fiscal year it was and what year it was in the revaluation cycle. He said so you'll see we're at $0.625 recommended again in fiscal year 22/23. He said if you back up to the prior revaluation cycle, it was $0.53. He said again, another thing we want to show you every year is the sales tax ratio study. He said the Department of Revenue, every year, comes out with a sales ratio. He said what that does is it looks at the market, it looks at what properties are selling for, and it determines what that is based on where you are in your valuation so if it's one, then market equals assessed value. He said so if it's up or down it allows you to take the sales ratio, multiply it by your tax rate and get, essentially an equivalent tax rate and you can spread it across the entire state because in some instances you may be in year one of your revaluation and you're a lot closer to market in year one. He said if you're in year seven then you're probably not very close to market. He said we saw that a couple of years ago where it actually went in reverse and the market was lower than where we had it pegged. He said you peg it every eight years. He said it's changed now, and you said you're going to start doing it every seven years, but you pegged that number one time in that eight-year period and then the market does what it does. He said typically when you peg the number values continue to grow, properties appreciate, it doesn't depreciate. He said we saw it happen during the great recession, property value actually went down so our assessed value stayed here and actually the property value decreased. He said it was unusual, it was really unusual. He said I've never seen that before and people really weren't happy about that. He said people expect property to appreciate and grow in value. He said we're seeing that now and due to market conditions we're seeing that exaggerated. He said our numbers were pegged and what's going to happen is when the market comes in now, with how hot the market is, it's going to be a lot higher. He said when it's higher it essentially decreases the effective tax rate because someone has a piece of property that's worth more, you still have it pegged at a lower value so the difference is, essentially, the effective tax rate. He said so you'll look at our neighbors around us, Washington County, they have a tax rate last year of $0.85 per $100. He said their 2022 ratio is .9972, so they're below. He said so when you multiply the two their effective tax rate is less at 84.76%. He said now they are listed as the 97th highest tax rate in North Carolina so we show you this every year and we show you what our neighbors are and all of our neighbors, except for Craven County, have a higher effective tax rate than Beaufort County does. He said based on the effective tax rate of ours, which is $0.625, and the sales ratio of .8101, our effective rate is actually 50.63 per $100 of valuation and that makes us the 37th lowest tax rate, effective tax rate in State of North Carolina. He said Craven is only below us, is the only neighbor below us and everyone else is higher. He said it gives us that apples to apples review. He said projected sales tax revenues are up $1.9 million, about 18.5% from prior year original. He said we try to conservatively estimate those. He said our efforts, just because we don't, we can plot historic trend lines and anticipate what we think it might do but we're kind of along for the ride when it comes to sales tax. He said we have projected this year, based on information from the League of Municipalities and the Association of County Commissioners, about a 3% increase in sales tax. He said now, over the last year there was a tremendous increase but they're recommending about 3% because obviously inflation is going to take a hit on that. He said people are going to stop buying as much as they are, especially with interest rates going up so we anticipate that stabilizing but again, we really don't know how that's going to go. He said we have projections, but we don't have the details on that. He said so inter-governable revenues, you'll see an increase of about $765,000 in the next year. He said that's due to EMS general fund revenues, obviously the tax valuation has gone up a little bit so when we tax for EMS that goes up a little bit just based on value. He said there's some state and federal grant funding and our ABC revenues are going back up. He said licensing fees and general fund revenues are projected to go up $367,000 and that's additional health related grant funding and increased development associated, development fees with the building that's going on. He said the economy is pretty hot, development is moving so every time we send someone out to do a building inspection those numbers go up. He said our investments, and everything are projected to reach about $50,000. He said the rates are still low when, historically you think about it, but that will change as rates continue to increase. He said I don't know where that's going to go, you read a lot of different things. He said I think the article I read today said they were modeling it after 1994, where the Feds came in and bumped the rates and that was when Greenspan was there and bumped the rates three or four times and projected they would have this nice soft landing and everybody said you can't do this, you can't make a soft landing when you start doing things like that so again, we're along for the ride and we'll see how it goes. He said we do, like I said earlier, the budget does appropriate $1.6 million. He said $600,000 of that is for a worker's compensation internal service fund and then the $1 million for the Beaufort Promise. He said the $600,000 for worker's compensation. He said there's fund balance money going into that and then there's the projected savings that we will have off of our insurance. He said what that means is we're taking a higher deductible. He said we brought that to you, laid it all out and the Board said yes, go with that, so we're taking $100,000 deductible on our worker's comp. He said we're essentially saying we're going to be on the hook for $100,000, the first $100,000 in worker's comp charges. He said historically we've been around $30,000 a year. He said we have had years above that, and we've had years below that, it's a calculated risk but what we've seen is if we can take that, set it aside and take those savings and set those aside as well, which is what you're showing, that's why there's $100,000 in there because you're taking the projected savings, $130,000 in savings and adding that to the fund. He said you do that for a couple of years and build that fund up and then you can set it aside and start charging against it and then the savings you will be able to use for other things. He said there are no changes in our worker's compensation coverage so there are no issues there we're just taking a deductible. He said we're saying we're paying the first $100,000. He said again, the Beaufort promise is a four year, what we heard the Board say when you all were discussing this was we like the idea of the Beaufort Promise and be able to do that, we're a little concerned that we want to be able to see how it works. He said we want to be able to study it and look and see if it's working so what we did in the recommended budget was we took a one-time appropriation of $1 million from our fund balance, set it aside in a special revenue fund and then $250,000 each year they can draw against. He said it may not be $250,000, it may be less than that. He said they may not have as much demand for the program. He said I think we'll have a pretty strong demand for the program but we set it up for $250,000 a year and then that gives you four years of information to look at, the Community College can study that and they can determine what it does and if it's a good program and then the Board can make the decision at the end of that funding cycle, do you make another appropriation to that or do you find a continuing revenue source because if the program continues it will be a reoccurring expense and you will have to find a reoccurring revenue stream to deal with it. He said as of June 30, 2021, the audited, unassigned general fund balance was $24.8 million or 41.82% of expenditures and at the close of 2022 it's estimated the unassigned fund balance will be $26.9 million or 42.36% of expenditures. He said that's always a conversation the Board has had about where you want to be. He said your policy is currently 35% and there's been some discussion among the Board about whether you want to bring that down, whether 35% is where you needed to be. He said we've tried to provide as much education as we can and show you all the numbers as to where that all lays out. He said on page 4 of the budget message you'll see the pie chart that we show you every year which is where the anticipated revenue comes from. He said you'll see the largest, obviously, is our property taxes and then we'll go into the expenditures. He said these are the general cost centers that we talk about. He said general fund cost center, we exclude that service and transfer other funds so that we're equal. He said overall the general government cost centers increased by 7.2%. He said those drivers include increased maintenance cost due to inflation and supply issues, additional HVAC maintenance that's required due to the Covid mitigation equipment that's installed, we have to change out those UV filters and other maintenance costs, and then there's the increase in the courthouse security contract. He said we had an increase in property and liability insurance and this year we're back to budgeting $100,000 in contingency. He said you'll recall, typically we budget $100,000 each year for contingency. He said last year we took it out, we put it back in this year, just like we always do, that's why you'll see that bump up, because it was taken out last year by the Board. He said health and human services, human services cost center, those costs centers increased by 5.1%. He said that's driven increases in DSS and public health due to state program public expenditure estimates. He said what you really want to look at are the County shared dollars. He said I think that's where the Board is always been interested in and the County share dollars for DSS increased by 1%, so they were currently at 43% last year, they will be at 44% this year and then public health has actually decreased. He said that was at 45% this year and we're projecting it down to 39% so there's less county dollars matching up against state and federal dollars so that's a good thing. He said the increased expenditure in public health is mostly related to the additional no-match grant funding for substance abuse and communicative disease prevention programs so there's a lot of money coming down for substance abuse that is no-match funding for the County so they're going to get that money for programs, and we don't have to match up County dollars against that. He said education cost centers, again, the recommended budget here is up overall 3.1%. He said K12 is funded at 3.4% above prior year and the Community College has decreased by 8.7% but that is because of the one time start up fees you had last year. He said public safety cost centers are up 6.4% overall and the main drivers there are increases in operational costs at the Sheriff's Office and jail due to inflation. He said we returned the budget to a ten-vehicle rotation for the Sheriff's Office that was previously scheduled, so we've returned to that. He said there's also a vehicle replacement in Emergency Management and some additional equipment costs in Animal Control. He said but overall, when you think about those departments, those public safety departments where we have the Sheriff's Office, we have deputies on the road and we have ambulances on the road every day an increase of 6.4% in an inflation period where we're at 8.8%, it's probably pretty good considering what gas costs and we've anticipated those fuel costs into the new year and a lot of that is taking up that. He said there are additional costs we project in the jail with, we anticipate the census going up there, additional meal costs and things like that. He said on page six you will see the appropriations and the percentages there. He said in general our education expenditures are typically the greatest. He said 32% of your budget goes to education. He said 29% goes to human services which is the larger departments, DSS and the Health Department, and then public safety at 24% and then the remaining there. He said your enterprise funds, we talked about enterprise funds are funds set aside, they're business like services, water, solid waste, where the consumer is receiving something and they're being charged for that something and you're doing that as best you can to recover all the costs associated with that something instead of general programs that you have in the general fund where you're taking a tax collection and your using that spread across a lot of different programs, where use may be different among different people. He said so the water fund continues at $8.3 million, and we talked about that, you do have the completion of the rate study. He said that consolidates all of those rates across the seven districts into one uniform rate across all seven districts now. He said we do continue with the ten-year capital improvement program across the system that was established in fiscal year 18/19. He said there are $183,000 recommended in capital and the contingency is funded at $28,000. He said solid waste is recommended at $4.2 million. He said there's a $5.00 increase recommended for solid waste fees for a total of $175.00. He said that increase is required for increased costs of disposal and inflation. He said we do, like I say, continue our administrative charges. He said there's a transfer of $50,000 to the solid waste fund balance and the contingency is funded at $8,000. He said that fund balance is there to help you make additional fixes in that program. He said so overall, in some ways, the recommended budget continues all County prior services and operations and includes the two initiatives approved by the Board, the Beaufort Promise and the Workers Compensation internal fund. He said that is all done in this recommended budget without a tax increase and maintains the tax rate at $0.625, despite anticipated record high inflation. He said again, we do show a $5.00 increase in the solid waste fund, I wanted to make sure we're clear on that. He said the water fund does complete the five-year rate consolidation and in keeping with our prior budget practices, the budget is broken down into continuation and expansion and the continuation projects a surplus. He said that surplus is a little over $1 million and in my budget messages before I've stayed away from it but I've called it out in this budget message that I want it to be clear for the Board and I want to make sure I say it clearly, I think that you need to use a majority of that surplus to fund a significant COLA based on the 8.8% inflation that's happening over the last 12 months. He said if you don't do that then all of the work that the Board has put in place over all these years to get us to a market rate, to get us to be competitive, is going to be lost. He said so I think, we've shown you what it is from a 5% all the way to a 9% but I think you really need to look hard at that. He said every CEO, every board of directors across the United States is looking at what they can do to maintain their employees and keep their folks. He said I got a note today from the federal government talking about some of the ARPA stuff and making sure you're looking after your employees in a tight market where people are competing for employees. He said we just can't afford to get behind and I think we have the opportunity to keep our employees somewhat whole, maybe not completely whole but at least somewhat whole based on the surplus that's projected and at least a 5% COLA to try and offset that 8.8% CPI for the last 12 months. He said we did talk, or the Board talked about establishing a plan for employees to move through the pay plan at a more objective measure instead of a performance based subjective measure. He said we heard that really clearly from the Board where what we heard from you is you would entertain us bringing something back to you that was more objective than subjective so what we have done is, and it's going to take us a little bit of time, it won't be in this budget but we will bring it back to you because it's going to take us two or three months to get it done and get it right but what we're looking at is educational attainment and training achievements that are very objective and it would bring value to the organization and with that we would say if you have this then we would adjust your salary to this based on this. He said that helps move employees through the pay range, it helps them be competitive, it helps us retain people, and it addresses the issue that this Board has said if you have an employee who's been here 20 years they are more valuable to you than an employee who's been here a year. He said not discounting the employee who's been here for a year, but it just makes sense. He said if you've got somebody with that institutional knowledge and have been here for a while they are a more valuable employee, and you want to make sure you retain those employees. He said so that's another piece that would play into the three legs of the stool in the pay plan, the longevity that the Board put in place that's very much appreciated and looking at this as a way to help employees move through the pay plan and address a lot of the compression issues that we have. He said as always, and I say this every year, and it's really going to be, this year is really going to be a test of that, obviously the performance of the state, local and world economies will be, impact this budget tremendously. He said it all depends on where inflation goes. He said we currently sit at a near 40-year high and we've tried to anticipate those impacts. He said like I say, we've looked at what we've seen on estimated fuel costs and other things, supply chain issues are still messing us up, costs are extremely high based on that. He said we can't stop doing what we do just because the prices go up. He said we have to continue those operations and continue those services. He said so we've tried to anticipate that and that's why you see this budget up a little bit more than it has been in the past years. He said typically we've tried to be within 1% or 2%, we're a little bit higher than that but I think we're good in that we're able to cover it with all that in place and we've not recommended a tax increase. He said you've got some other folks who are doing that, and I think we're good and don't need to do that. He said I want to be really clear in speaking about staff, the Finance Officer, Anita Radcliffe and her staff have done an outstanding job in putting the budget together and creating a document that's informative and functional that serves as a management tool and an outline in which the Board can debate policy and I really appreciate all the hard work you do every year. He said likewise, department managers did exactly what they were asked to do. He said we asked them to bring back a budget that they analyzed to make sure if they could look for areas that they could decrease or areas they needed additional support in. He said they do an outstanding job when we lay those budgets out and they work really hard at what they do and I'm very pleased and proud to be able to work with every one of them. He said so that is the budget message that we are required to present. He said I look forward to having the budget workshops with you and going in detail over the budget books that you have. He said we will start Thursday night and then we have two next week and then two the next week after that. He said you have it on your schedule. He said department heads will be here to answer any deep diving questions that Ms. Radcliffe and I may not be able to answer, Ms. Radcliffe could probably answer every one of them, but we will have the department heads here to answer any questions that you may have specifically about certain things. He said outside agencies will also be here again, outside agencies will be back this year. He said you will recall for the past couple years, because of Covid, we didn't have large groups in here. He said we will bring back those outside agencies in the service expansion piece. He said you've got several agencies, I think there are 27 general fund service expansions and 12 enterprise fund service expansions so those agencies and department heads will come in, they'll pitch those proposals to you, you'll ask them detailed questions. He said if you like it and you can find a way to fund it you can do that, if you don't like it then not. He said again it goes back to this budget is the Boards budget, once we put a recommended budget together for you it is just that, our recommended budget. He said it's the Boards budget to do what you need to do for your constituents and get done for your constituents what you want to get done so I appreciate the opportunity to be a part of the organization and to continue to work for you and bring you another year's budget. He said I'll take any questions you may have, or we can go to, we can wait until Thursday.

Commissioner Booth said on this discussion on continuing a pay plan, you said this was just a study, was any money allocated for this budget.

Mr. Alligood said no sir, we haven't done that because we don't really know what the number looks like yet. He said what we've asked our department heads to do is go back and look at educational obtainments and training obtainments that would bring value to their department. He said now that value may be different from one department to another department. He said overall in a general government kind of sense, like you've seen at the Sheriff's Office, the Sheriff and the Board approved that if you have an associates degree, because it's not a required degree if you have an associates degree there's a bump in salary. He said if you have a bachelor's degree there's a bump in salary. He said that, overall, for general government, for overall government, I think is a positive thing. He said some of our positions require a certain level of education but if they don't and someone attains a certain level of education that brings value to the organization and it helps us to be able to say to that person we appreciate what you're doing and it gives them critical thinking skills and all sorts of things that helps the organization and we would want to reward that and like I said, each department might be a little different and we're looking at those. He said we've asked department heads to tell us what is it that brings value to your department and what's it going to take to bring funding on that and how we lay that plan out so that it is very objective. He said as I've heard the Board, a couple of Board members say we don't want things to be too subjective, we want them to be very objective and be able to say did you do this, did you not do this, not how did it seem to you.

Commissioner Booth said is this just tied to an associates degree or a B.S.

Mr. Alligood said not necessarily.

Commissioner Booth said that's the part that gives me heartburn because you take department heads that take classes all the time and you take the low-level employees who don't get the opportunity to go as much so that's what gives me the heartburn about this here but I'm going to be open minded. He said put it together and then we'll talk about it some more. He said I'm trying to be fair here.

Mr. Alligood said we are to and what we've heard from the Board was we want you to be more objective.

Commissioner Booth said but the thing about it is, and don't get me wrong, 95% of our department heads are above the maximum right now.

Mr. Alligood said not above the maximum.

Commissioner Booth said midpoint, the midpoint.

Mr. Alligood said I'd have to look at the actual numbers.

Commissioner Booth said please bring that back so we can look at that but the thing about it is you bring value to an organization when you bring the lowest people up instead of the top people down and that's what I'm trying to get to.

Mr. Alligood said I understand that and that's why we've asked department heads to look at every position they have and is there something we can do that brings value where people can say I want to do that, or I want that opportunity and to make that happen.

Commissioner Booth said I'm going to be open minded about it but I'm still going to have some questions.

Mr. Alligood said oh sure, but like I said earlier, when you get to higher level positions those education levels are required under the job description so we wouldn't be adding for that.

Commissioner Booth said and we're already paying for that, already paying them for their experience and education.

Mr. Alligood said some of those, yes. He said again, that's why it's going to take us two or three months to put all this together because we want it to be hand in hand with the Board so we can come forward together with something that makes sense, that helps our employees advance through the pay scale because when you think about where employees should be, after seven to eight years an employee really ought to be at midpoint because at midpoint you're considered an employee who can handle everything related to your job and do all the things you need to do for your job and in seven to eight years you ought to be at that point but under our pay structure we don't have the criteria, we don't have the ability to advance people through the pay scale up to that so we allow folks to get compressed up against each other and you do that sometimes by merit. He said we've heard very clearly from the Board that you don't like merit so we've tried to work on a way that we can be objective about it and still advance people through that because that's how we keep good people and it's how we bring more value to the organization.

Commissioner Booth said my last question, this is the second time you've put us on a ten-car rotation. He said the last time it didn't work out to good, and we had to eat crow. He said what's in there this time that says we won't have to do it again.

Mr. Alligood said there's no guarantee that won't happen again.

Commissioner Booth said we say buy ten cars then buy ten cars and don't give raises.

Mr. Alligood said well, so correct. He said the reason we moved back to that was there was funding that was originally assigned to some vehicles that we weren't able to based on receipts so we did some radio stuff.

Commissioner Booth said you put together a pretty good budget summary here but I just, there's things that we'll probably go over again, I just hope it doesn't happen again. He said that's all I worry about.

Mr. Alligood said I understand. He said I think that was our original commitment at one time where we had, there was a gentlemen's agreement that if we got to ten we could stay at ten because from a county administration side it helps us when we're able to keep funding levels fairly consistent instead of seeing spikes every time we buy a bunch of vehicles and then go four or five years and a big spike again so if we can get them leveled out it helps us so that's why we do that. He said but again, this is our recommended budget to the Board and it's ultimately the Boards budget and we're willing to work with you on anything you want to do.

Commissioner Booth said I appreciate what you've done but I just want to be clear that we were played before and I don't want it to happen again.

Mr. Alligood said I understand and there have been a lot of folks that have worked really hard to put this thing together and I want to make sure that those folks are acknowledged from the Finance Department all the way down to department heads and their folks that they work with.

Commissioner Richardson said since it's come up I'd like to request the Sheriff send us the number of surplus vehicles that he has. He said I know there's ten parked at his storage facility and there's probably eight or ten back here behind us. He said he could have as many as twenty surplus vehicles right now because we got talked into going along with buying four or five new cars that have just been delivered so there's a surplus of cars in the Sheriff's Department and we don't need to be spending any more money for that.

Mr. Alligood said I'd be glad to get that information for you.

Commissioner Deatherage said you mentioned earlier, a few moments ago that one of the biggest problems we have is inflation, 8%, I believe you said. He said it could be more than that by the time we finish this budget project.

Mr. Alligood said I hope not.

Commissioner Deatherage said it very well could be and the inflation is because of one thing and one thing only, government is now allocating funding we do not have. He said they'll give you a myriad of excuses why, but a lot of money has been spent to fund projects that don't need to be funded. He said in other words government is a very poor allocator of wealth. He said to that extent I think the money that we have stored, in excess of what we had since I've been a Commissioner, that money would be better spent going back to the public. He said to that extent I would argue that we need to return 10% of the funds, we need to reduce the tax rate by 10%. He said we don't need to return anything; we need to reduce the tax rate by 10% this year. He said that is my long-range plan for twelve months, give the money back to the people. He said they are better allocating source of their own funds than we will ever be. He said I'll put that as a motion and if it doesn't pass tonight I will bring it up again as we look at our budget and try to cut because quite frankly we need to do that because a lot of families are going to be cutting, a lot of families won't be spending money because they won't have money. He said there's an 8.8% tax that's being placed upon them every day and it's going to go up.

Ms. Mosher said can I ask for a clarification, you're saying 10% or $0.10.

Commissioner Deatherage said 10% of what we would spend of the ad valorem tax. He said in other words if it's a rough figure of $0.64 our there it would be $0.54.

Mr. Alligood said it's currently at $0.625.

Motion: Commissioner Deatherage motioned to lower the tax rate by 10%. Commissioner Richardson seconded.

Mr. Alligood said let me just say this to you, it generally, for us, one penny, and you're talking about six cents, generally what you're saying, so in round numbers one penny for us is about $600,000 so that's $3.6 million. He said six time six is about $3.6 million you're looking to cut out of the existing budget.

Commissioner Richardson said no, that's not what he said.

Commissioner Deatherage said you'd be looking at a tax rate of roughly around $0.57.

Commissioner Richardson said his motion, well my motion only addresses the tax rate. He said the cut the tax rate, 10% of that, that would be the tax rate for the coming year.

Mr. Alligood said yes sir. He said I understand that.

Commissioner Richardson said we're not talking about reducing spending yet.

Mr. Alligood said you would have to because you have to have a balanced budget.

Commissioner Richardson said but the 10% would come out of the fund balance, that money would come out of the fund balance. He said there's $24 million in the fund balance and it would come out of the fund balance.

Mr. Alligood said we've had this conversation and I will say it again, our recommendation to you would be if you are going to cut a tax rate, that is a recurring reduction so you would need to make a recurring expenditure reduction as well otherwise you're taking one-time money and using it for recurring expenses. He said you don't want to do that.

Commissioner Richardson said no, that's not a recurring expense because the Commissioners set the tax rate every year so we would set the tax rate at this. He said we would look at the tax rate again next year and if it needed to be increased you would increase it. He said that's just good business.

Commissioner Deatherage said would you like me to restate the motion.

Commissioner Booth said I got your motion, but Commissioner Richardson said he had one too.

Commissioner Richardson said no, I seconded his motion. He said we're explaining how this would work and the money is there to do the reduction this year because we've been over taxing the people and that's been proven because we're having these surpluses over and over, aside from the fact that we have a fat budget. He said this would be a good year to do this with inflation raging like it is. He said I would remind you; you've got an 8% increase in spending in this budget. He said we haven't even looked at that yet.

Chairman Waters said it's very early, we've not even gone through the budget to determine where we're going so I'm going to oppose the motion.

Motion: Commissioner Deatherage motioned to lower the tax rate by 10%. Commissioner Richardson seconded.

Yes Vote	**No Vote**
Commissioner Deatherage	Chairman Waters
Commissioner Richardson	Vice-Chairman Langley
	Commissioner Booth
	Commissioner Rebholz
	Commissioner Walker

Motion: Commissioner Booth motioned that this not be brought back up for six months.

Commissioner Richardson said you can't do that on this.

Commissioner Booth said I can do what I want.

Commissioner Richardson said this is an open, this is the budget.

Commissioner Booth said what do the rules say.

Commissioner Richardson said okay, go ahead and violate state law, they'll let you know how it works.

Commissioner Booth said our rules say as long as I make it within the meeting. He said you can't make it tomorrow.

Commissioner Richardson said what I'm saying is your rules violate the state law on us doing a budget and doing the considerations we need to do, go for it, we'll let the state treasurer tell you how it really works.

Chairman Waters said we're going to recess until Thursday night and our time is set for 5:00 PM.

Meeting recessed at 5:58 PM

Respectfully submitted to you by:

Kathleen Mosher, CMC, NCCC
Clerk to the Board of County Commissioners