CASWELL COUNTY BOARD OF COMMISSIONERS **June 10, 2024**

MEMBERS PRESENT	**OTHERS PRESENT**
Jeremiah Jefferies, Chair	Scott Meszaros, County Manager
Finch Holt, Vice Chair	Melissa Williamson, Deputy County Manager
Ethel Gwynn	Melissa Miller, Deputy Finance Director
Rick McVey	Carla Smith, Clerk to the Board
Frank Rose	
Tim Yarbrough	
John Dickerson (virtual)	

The Board of Commissioners for the County of Caswell, North Carolina, met in a Budget Work Session on Monday, June 10, 2024 at 5:00 pm at the Gunn Memorial Library.

WELCOME:

Chairman Jefferies called the meeting to order, and welcomed everyone to the Caswell County Board of Commissioners budget meeting on June 10, 2024. Then all paused for a moment of Silent Prayer, and the Board of Commissioners and all the guest in attendance recited the Pledge of Allegiance.

BUDGET PRESENTATION:

Chairman Jefferies said I got one question. Would you like for the County Manager to go through this right here, or do we want to stop him as he goes? Do you want to wait till he completes his presentation or stop him as he goes? Board wanted to stop the County Manager for questions as he went through the presentation.

County Manager Meszaros said so thank you. After the last meeting, we took all of your inputs and I got several emails, recommendations, and ideas. We went back and talked, cut, and reevaluated things. So a lot of the housekeeping items are technical in nature. So I think it's just probably as you said not interrupt but to get feedback. I think we'll walk through the information. We revamped the presentation so that people can understand what the reevaluation is, how that looks for their taxes, how it's calculated, and meshes to others. Is there somebody on there? Vice Chairman Holt said John Dickerson was calling in I know. Commissioner Dickerson said I'm on. County Manager Meszaros said okay.

So there's the cover sheet. If you look, I was directed to send out the general fund revenues and expenditures or a line by line detail. So that document has been provided to you highlighting every single line item that is in the budget. Then on the back of it, it has every single contract or agreement the county has by department. So that narrative there for you. I think comparing the actuals to the current you see a lot of trend, but I'll walk you through our work session. The revised recommendations I would like to say that was kind of directed that here's what's acceptable and tolerated level. So we shot for that, and we made some revenue adjustments and some expenditure adjustments. We'll walk you through all that. I think it's important to really show you and explain what the reevaluation and what the tax neutral rate is. I think a lot of people don't understand that the reevaluation really doesn't change the tax bill. It's the reevaluation value times the tax rate. So they're independent of each other. It's all one equation; it's not two separate things. So then our vacancy rate. Johnna will help us to go through a lot of the details of what the vacancy rate cost savings are, and how they're able to make us use funds for different things rather than just having these big voids of positions that aren't filled in the budget. Then the final budget adjustments that we actually did to get us to the to the final recommendation. So on page four, our original recommendation had us at $36,141,000 with the proposed tax rate of 65.35 cents, and the current revised recommendation has $764,000 reduction with a recommended rate of 60.75 cents. That's a 2.25 cent increase over the neutral rate of 58.5 cents. So that's a reduction of 4.6 cents from our last meeting. Then the fire district, we reached out to the fire district, and our recommendation there is there's a couple of funds that were in the general fund that we feel should not be there. They should be back in the fire district, and their proposed tax rate was three cents. In looking at revisions and some of those adjustments, we recommend a tax rate of 3.69 cents, which is a difference of about $120,000 to the taxpayers, but it's an increase to the fire districts of $140,000.

Commissioner Yarbrough said let me stop you right there, Scott. Can you give us some details on these funds that you're talking about or that you mentioned started with the fire districts? County Manager Meszaros said sure. So the next page is actually… Johnna Sharpe said I'll go through some detail on that a few or several slides down, if you don't mind. I think it'll make more sense when you can see all the numbers.

County Manager Meszaros said yes, we really highlighted and detailed it more clearly. So on page six the property valuation, I'm going to turn it over to Johnna a little bit on this because she's far more versed in this than I am.

Johnna Sharpe said so at the work session a couple weeks ago when your Tax Administrator was here, we talked a little bit about the property valuation and the revenue neutral rate, but I didn't have any visuals for you at that time. So I wanted to bring back and make sure the Board was fully apprised of everything that makes up your total property valuation. So on this slide six, I've got really two numbers for you to look at. The first is what your 2016 valuation was because this revaluation that you're doing is readjusting property values that were last valued 1/1/16. So you've got an eight-year revaluation period. So that's what you're looking at is the change in values over that eight-year period. This is based on the process that the Tax Office has gone through looking at current sales, new construction, all of that and identifying what the new values are now. The Tax Administrator only values two of these categories. One is the taxable real property, and that is the only piece of the property tax base that is part of the revaluation. Personal property is valued every year. Public Service Corporation is valued every year, and that is actually valued by the State. The state provides those numbers. Motor vehicles is actually done by the State. That's, you've heard it, NCVTS, North Carolina Vehicle Tax System. It's where when you have to renew your vehicle tag, you also have to pay your property taxes at the same time. So the State provides the Public Service Corporation numbers and motor vehicle numbers, and we don't have those yet. Those are estimates, and motor vehicles are valued and we get payments every month. So those aren't valued until somebody brings in to renew their registration, but what the revaluation process focused on was your taxable real property. That is residential and commercial. So if you look at that number, the number under 2024 is the $2.2 billion number. Now there's a couple of things that come out of that number. That is the preliminary number that the Tax Administrator has before appeals. So as you're aware he's going through the appeals process right now. After the informal appeals process any formal appeals will be brought to you. So we've done an estimate of a 1% appeals factor. We don't really know what it will be. So if you have more appeals, you're going to have less VAP that are successful. If you have less appeals that are successful, it's going to value, but we really will not know that until that process is complete. But the number in red there, I want to make sure I draw your attention to that. There are numerous categories of properties that are tax exempt. That would be nonprofits, churches, and the biggest value in that is agricultural present use property, where it's not valued at the market value today. If that property is ever sold, that's when the current taxes are due. So you have approximately 14% of your tax base that is not taxable. Real property, your total valuation is the $2.3 billion, that grand total valuation number, and 83% of your tax base is real property. So when we talk about the property tax valuation, the total value on which you levy taxes, it is all four of these categories, but the revaluation that we're talking about is only on taxable real property because that's the only part of your tax base that isn't valuated on an annual basis.

Commissioner Gwynn said what is the deadline for the appeals process? Mrs. Sharps said it's typically 30 days from when they receive the notice, and then any people that aren't able to be resolved through the informal appeals process will then be brought to you, where you serve as the Board of Equalization and Review. I'm not exactly sure when the Tax Administrator is planning to start bringing those forward.

Mrs. Sharpe asked if there were any questions on this before going to the next page?

Commissioner Dickerson said could I ask a question please? Mrs. Sharp said sure. Commissioner Dickerson said I see the difference in the 2016 to 2024 in the values. Then Mr. Meszaros in the beginning of the meeting talked about changing the rate to an increase of how much versus what it has been proposed to be. 2.4 or something like that. Mrs. Sharp said 2.25 cents. Commissioner Dickerson said 2.25. So how would that affect the average taxpayer? What it was roughly a 41% change there. So let's say that somebody's property was valued at $200,000 before the re-evaluation and it went up 41% in value. How does that 2.5 and that 41% increase translate into what they're actually going to be getting a tax bill for? Mrs. Sharp said Commissioner Dickerson, if you can hold on just a few slides, I have that information for you. Commissioner Dickerson said okay. Mrs. Sharp said thank you.

Mrs. Sharp said so if we move on to slide seven, we can come back to any of these if we need to. I want to show you the details behind the numbers of calculating the revenue neutral rate in accordance with General Statutes. So what this revenue neutral rate is supposed to do is it's to basically generate the same amount of revenue that was generated this year, recalculate the tax rate, and then you get to increase that calculated rate by the average annual growth over the eight-year cycle. So let me just walk you through these components. So the last year prior to valuation is 2024. The valuation in 2024 was 1.8 billion. Your current tax rate is .735 cents. So when you multiply that tax rate times the valuation you get your levy, which is the $13,294,702. Then we take the revaluation year, which is fiscal year 25, values as of 1/1/24. The new valuation is $2.3 billion. So then the tax rate is merely you take the same amount of revenue, divide it into the valuation, and you come up with the tax rate to produce the same amount in total. Yes, and this will vary differently depending on what your valuation is, but it's looking at the total tax base. That tax rate would generate the same amount of revenues in 2025. Then you apply that 1.44% increase to that number, and you get 0.5851. So when we put the tax base in front of you, I round it down. I like numbers that end in zero; so that's revenue neutral rate capturing the growth over the past eight years of 58.5 cents. So it's funny how you're dealing with millions of dollars, but the calculation is really as simple as this year's revenue, next year revenue, and what does the rate need to be to generate the same amount of dollars. Then just on that 1.44% I took each year 2018 over 2017, 2019 over 18, and you get the increase in the base for each of those years, which would be basically new construction because that's the only thing that's being added to valuation because all the other property values are set. Then I just took a straight average of those increases over that eight-year period.

Commissioner Rose said you’re running that average annual growth for that 8-year cycle? Mrs. Sharp said right. If you take each year, then you add them, and divide them by eight. But it's a simple average over the eight years, and it's over whatever cycle you have. In this case you have an eight-year cycle; so it’s over the eight years.

Commissioner Yarbrough said this average annual growth rate at 1.44% that you are talking about. Annual growth rate of? Mrs. Sharp said the evaluation of the tax base. Commissioner Yarbrough said you've lost me there. I know I understand what you're saying if you go 8 times 1.44 you only get what 12%. Mrs. Sharp said right. Commissioner Yarbrough said well valuations went 41%. That was valuation of properties that existed at 1/1/16. Commissioner Yarbrough said okay. Those increases of an average of 1.44% is new construction. It's new houses; it's new Dollar Generals. So it's just the new construction. Sorry that wasn't clear.

Mrs. Sharp said so then on slide eight, we're just giving you a history of your tax rate because fiscal year 17 was the year of the last revaluation. So that tax rate was set at 74.4 59. The tax rate decreased the next year. I really can't speak to why; I wasn't here. My gut would tell me that the revenue neutral rate maybe was too high, and it needed to come down. Then in fiscal year 19, the rate was set at 73.5 and has remained there since. Then the new rate or the revenue neutral rate plus the 2.25 cent gives a new recommended tax rate of 60.75 cents. So there is a tax decrease.

That's not completely equivalent to the value increase, but if we go to slide nine I really want to hopefully illustrate here what revaluation really attempts to do. One thing that it's important for the Board to remember is in 2016 you all adopted a schedule of values just like you've done for 2024, and that schedule of value says this is going to be how the properties are going to be valued over the next revaluation period. So it looks at new construction, and it values at what it would have cost had it existed at 1/1/16 because that's keeping the property of valuation held constant during a reappraisal period. So I just took an example if you built a house in 2021 or you bought a new construction house in 202,1 and it sold for $150,000. It would be put on the tax roll at a value of what it would have been in 1/1/16. The tax value is not $150,000, what you pay for it. The tax value is $112,500, and so the difference in that value is basically appreciation that's occurred over that five-year time frame.

Vice Chairman Holt said so it was pretty much a mistake to wait the eight years. Mrs. Sharp said I can't speak to that. I don't know where you were at four, but Commissioner or Vice Chair Holt, my experience with counties that have a really long or that that stay with the eight-year reappraisal cycles, know that over that eight years they're going to have to have some tax increases to capture that market appreciation because the value stays the same. It doesn't matter what you buy and sell for, it's the valuation because they're treating everyone the same until the next reappraisal. So honestly, I think more frequent reappraisals are always a good thing.

Commissioner McVey said we used to do them every 4 years. Then when COVID hit, we didn't do it because of COVID.

Commissioner Rose said so you're saying for seven years, if this happened at beginning of that cycle, for seven years that home would be valued at 2016's rate, and for seven years it would be at that before the reappraisal.

Mrs. Sharp said absolutely, and I think that's what a lot of homeowners do. If they don't watch their property tax bill, they don't realize their tax value has not changed. Unless they've had improvements to their home, their tax value has been the same every year since 1/1/16. So basically people who do new construction during that time period, you know they're kind of getting a tax savings because they're not even paying taxes on what they paid for the home. They're paying what the home would have cost them five years ago. So what the revaluation attempts to do is rebalance all of that. That's why it looks at the total taxes in one year to the total taxes in the next year. You're rebalancing for those people who bought new construction but paid a tax value of five years ago. You're looking at people who have property at 1/1/16 that the markets increased. They might have sold their house during that period for 25% more than what the tax value was, but they haven't paid taxes at that level because North Carolina is really an unusual State. Most of the country doesn't do it this way where they keep the values constant. So the only variable that you can do to change the revenue is the rate, but that's also why they require when you finish that revaluation cycle to reset the rate because you've had market appreciation. You may have a change in mix of commercial property to residential property. So that revaluation is really rebalancing and really creating a fair valuation that's only fair at 1/1/24 because the market is going to start changing as soon as you value your property. So to your comment, I would strongly recommend that the county return to a four-year valuation plan.

Chairman Jefferies said we used to do four years.

Mrs. Sharp said yes. I know COVID was a once in a century event. I think many counties chose, if they were in the midst of it and could extend it, but maybe the extension might have been better to have been a six years rather than all way eight. So if we remember what was on the previous slide because your tax rate hasn't changed since 2019, you haven't captured any of the market growth. So if you had done some of that, your revenue neutral still probably would have ended at 58.5 cents, but the drop would have been much bigger because you might have been at 78 cents going to 58.5. You would have captured some of that market increase over the time when those property values are held flat, but your only option to capture that market value increase is to raise taxes. So I don't know why those decisions were made. What they were? But kind of this is where you are today, and here's your new valuation. Here's your rebalancing of all the property values for the last eight years. So then Commissioner Dickerson, now to your question. I just did a very simple chart here to look at the impact of the 2.25 cent tax increase on varying property levels. So if House A is $125,000, they would have an annual increase of $28 or 2.34 cents a month just from the tax increase. Now I'm not trying to show the differences on the revenue neutral rate because without looking at an individual's property and knowing what the average value is in the community… When you do a revaluation, some people's taxes go down, and some people's taxes go up even without a tax increase. So even if it were revenue neutral, people's tax bills are going to change depending on what happened to their unique property. But if you just look at the impact of the proposed tax increase, this is what it is on a variety of different values. So commercial building or even if you had a home, this just tells you at $250,000 you pay $56 more a year or $4.69 a month.

Commissioner Dickerson said okay. So that's showing me like House A, just let me get this and see if I can wrap my head around this a little better. House A pays $125,000 in value. The 2.25 cent increase roughly is giving you an annual increase of $28 on that value, but if that value on that house was raised by the re-evaluation the average of what 41%, then that's in addition to this increase you're talking about with the rate? Mrs. Sharp said yes sir. So if you go back, I had an example on the previous slide. That again if we took that same house that was $150,000, and now we're going to say that it increased its revaluation of 10%. That new tax bill at the revenue neutral rate would be $965, and that would be a change in their tax bill of $138 just from revaluation. Commissioner Dickerson said so that's $138 for that, and then the 2.2 cent on top of it. So all together, what kind of average increase does that mean for the taxpayer in the county because it sounds great when you say 2.2, but when we start figuring in that, they're really going to be hit with the percentage of increase and that. You're talking about something that's a whole different ball game. What percentage does that average out to, if you've been crunching these numbers? I know at one time we were talking, it was 12%, and then there was a reduction. So what does it break down to? Mrs. Sharp said without knowing the specific values of the property, I could show you some different examples, but because it really depends on the value of the property, what their tax bill will be, and what their property was previously assessed at. There are going to be, I've requested to see if I can get the number of the average home value in the county because if your average or if the value of your home is above the average value, you're going to see an increase in your property tax. If the average value of your home is below the average across the county, you're going to see a property tax decrease. Commissioner Dickerson said okay. Now we getting somewhere. I think the way I'm asking my question; I don't believe it was coming across for the answer that I was looking for. If you do a revenue neutral rate, it drops it down, and you do the tax increase on that old rate, then I understand where you're trying to say it now. If your property values decreased, you would not pay as much as you had before, but if it increased, you're going to get hit in addition to that 2.25. Mrs. Sharp said yes sir. It all depends on where your value is compared to the average value in in the county, and it's really more of an impact because most of your property or your real tax base is residential. So commercials are you know depending on where their values are, but it's really looking at that average. Because it is an average and it's looking at the total, you're going to have people whose taxes are going to decrease, and you're going to have people whose taxes are going to increase. But it's all been rebalanced. Commissioner Dickerson said you said that you've not connected with Mr. Bernard coming over and giving us the information update that he's supposed to give us on this. That's something out of your area? Mrs. Sharp said yes sir.

Commissioner Dickerson said has there been any discussion as to when that's going to take place Mr. Meszaros? County Manager Meszaros said we haven't got any of the information we've requested. So at this point, I don't have an ETA for that. I do know that the other cities have requested information for their tax base and have not got their data either. Mrs. Sharp said and just one thing I'll note, Commissioner Dickerson, is that yes, this person in this example on slide nine is having an increase of $138 in their tax bill today, but they have had a constant tax bill for the last seven years because the tax rate hasn't changed nor has their value. Commissioner Dickerson said I understand. Mrs. Sharp said okay. So did I finally get to your question? Commissioner Dickerson said yes. I think we were coming at it from two different angles. I see where you're coming from. I need to crunch it and get my head wrapped around the ramifications for it across the board, but I see where you're crunching your numbers to get where you're at. Mrs. Sharp said yeah. It's a lot to wrap your head around some days. So I can appreciate that. Mrs. Sharp said so I felt like in that first work session that it would have been helpful for you to really see these numbers because it's a lot of details and number crunching. You know it's like you don't kind of want to see sausage being made, but I think it's important for you as leaders of this County to really see what the components of your tax base are and for us to try and make this once in an eight-year process understandable. I'm sure many of you or several of you weren't even on the Board at the last reappraisal. So all of this or a lot of this is new for you. So I'm happy to try and answer any questions you might have on this, but really thought it might be helpful to just walk through what happens with the revaluation. Commissioner Dickerson said well ma'am, I appreciate all you've done. I appreciate the information that you have shared with us, but there is one area that you and I don't really see eye to eye on it. I hear you making the presentation of they hadn't the fair value basically on their houses for years because they haven't had to revaluation, and we should do that every four years. Well that might make it fair across the board for all the taxpayers, but you're presenting it in a matter of lost opportunity for revenue. I don't see it that way. I see it as the taxpayers of this County basically didn't have their taxes go up during that time frame, and we were able to provide services for them. There's a happy medium between giving everybody and every department in County everything they want and realizing that every time we increase spending the people of this County have to foot that bill. When you're talking about the average person that's making good money, it may not affect them, but the ones that I really worry about are the like elderly people that own property whose spouse may have died. We put this tax increase on them and we refer to it as a lost opportunity for revenue, but for them it might have been the difference between them being able to pay their property taxes or getting the medicine they needed that month because they didn't have the money to go around. I'm sympathetic to the impact of any property tax increases. So I'm a hawk on wanting to reign it in and keep it as low as we possibly can while meeting the needs of the county. I don't see it as a lost opportunity for revenue. Mrs. Sharp said and I do not disagree with you Commissioner Dickerson. I think it is a balance, and I think if the County's been able to maintain its service level without raising taxes, then that is certainly a good thing. I think it's just being mindful of if you didn't need to raise the taxes then that's great, but that doesn't get away from the fact that when you do this reappraisal, there are increases and decreases on the whole community. You're right. Then you've got to really look at what the revenue basis is. So I don't disagree with you at all. I may have not presented it in that manner, but I think it is definitely a balance between service delivery and responsible tax rate. Commissioner Dickerson said I understand, and again that wasn't a dig at you, ma'am. I appreciate all you've done helping us out wholeheartedly. You've been a very great source of information, You're good at what you do, and I thank you for being able be there for us and helping us out. Mrs. Sharp said thank you.

County Manager Meszaros said so I guess on page 10 you can kind of see if you're in those values, you can see where that kind of looks with this proposed increase. So at a $250,000 price point, you're looking at about $4.69 additional per month. There is not a lot, but there's also the exemptions. So the people that you're stating that have concerns about their medicines and foods, there's exemptions for people over 65 with qualifying incomes that they pay zero tax. So there is that in our base too for those that apply and have those exemptions.

Commissioner Dickerson said how well known is that program, Scott, because it appears to me that we don't hear a lot of outreach to the community on that? How can we get the word out to more people that may be struggling in those areas, if they're above 65 and they're having problems being able to get the basics on their table? What can we do to help those people out? County Manager Meszaros said I think a lot of that's just communication advocacy. The Tax

Department could put out some information or the County can about that. Commissioner Dickerson said well it’d be nice before we see folks that fall between the cracks, and we wind up with foreclosures, somebody picks a farm up for back taxes, and somebody loses a legacy that they've been holding on to for many years. I'm really hoping that we can avoid any of that happening in the future.

County Manager Meszaros said the other thing on your estimated values is that there are the present use values on ag. There are no taxes until you sell it. So a lot of those properties are not gaining any tax value until they get turned over. So kind of coming back to the budget, we initiated this same page here on 11, which is our original recommendation and the dollars. Then we're going to go through those reductions that were highlighted and where that 2.25 cent comes from. So on page 12, the investment income, you asked for more information on that at the last meeting. Our investment income on page 13, the investment balance and investment incomes are actually quite higher than they were budgeted for last year. In fact, $275,000 shortage. So that gave us a little bit of revenue change there. The ABC profits went up $9,000 over last year's estimates, and then the Sheriff Department revenues had an additional $9,000. It doesn't seem like a lot, but when you start getting all of those totals it really shifts the tax rate. So you can see on page 13 where those investment incomes are. It does have a 5% return on those funds, which is actually pretty astounding for the market and what the restrictions are. So other revenues, page 14, those are the ABC profits. That's where your $9,000 comes out of that $17,000 to $26,000. That's the tax charge just on the ABC Store. You asked about the gun permits, it’s a change in statutes. We cannot actually collect fees for that any longer; we just process them. So that's a $2,500 loss because we don't capture that fee anymore. Then they do have inmate jail commissary fee and telephone fees, which conservatively they estimated a minimum going up of $15,000 for commissary and $5,000 for telephone. The general fund expenditure changes are our budget corrections. As you know, we've been just kind of pushing to get the timeline and get things to you, with those corrections we found $237,000 of decreases, which are on the next page. But we'll get to that. The revised recommendations, because of being on the LGC list, we cannot lease or purchase vehicles. So we can't get into multi-year contracts without going through that LGC process where we submit the request and have it presented. So we took the $95,000 upfit for the 11 vehicles. They're due to turn in 11 vehicles for 11 Durangos. The Durangos are cheaper. So our lease payment should hopefully stay the same as it is in the budget, but we can't even do that until we're off the list. So we’ve removed that, and if we get off the list and can get those this year, we'll bring that back as a budget amendment because they desperately need those vehicles. But until we can even actually go do that leasing, it doesn't make sense to leave that in the budget. Then the revised salary recommendations. You directed us to do a 2%; so when we went back and actually did the FTE valuations, Johnna and Melissa met with every Department Head. They went through every single name and all of the records, and we found a lot of redundancy with people who are retired and people who aren’t here anymore. So in cleaning those up, the actual cost for a 2% is much less than it was originally presented to you. So that's only a $300,000 for 2.5%. So at $300,000 that gives you a 2.5% increase, which is in this recommendation. On page 16…

Vice Chairman Holt said you've got $400,000 increase. Mrs. Sharp said it was $700,000. We reduced it by $400,000. So there's $300,000 still left in there. that's two and a half percent.

Commissioner Rose said I thought it was $700,000 plus $100,000. Mrs. Sharp said no. That $100,000 was net that was out of there. County Manager Meszaros said yes, that was back in the very first presentation when the estimate was $800,000 for 4%.

County Manager Meszaros said so page 16. These are the actual budget corrections. So there's $237,500. Well the first one, the loan Courthouse improvement is an actual increase, but that's pretty minor. It's $4,000. The EMS Capital outlay that was carried over from 24 in error; so we removed that. The Sheriff professional services, that was in there twice. So having a bunch of different hands in there. I entered stuff, Finance entered stuff, and Johnna cleaned it all up. I have to thank her. There's been a lot of work to get this all right. The health insurance and the Health and Sheriff departments had extra positions. So I mean there doesn't seem like a lot of impact, but we start adding them together and it has a big impact. The special separation allowance is recalculated to $40,000. Mrs. Sharp said a reduction of 40. County Manager Meszaros said a reduction, so that net is reducing…

Vice Chairman Holt said what is that? Mrs. Sharp said there's a separation allowance paid to Sheriff Deputies who retire with 30 years of service until they reach age 65. The budget this year or recommended budget included $180,000, but I went back and did some recalculations. It looks like it's running about $140,000. So I reduced that back down to what it looks like the actual is because if people hit 65, it ends. So it looks like we've had somebody come off; so it's less. Commissioner Rose said it's mandated by General Statute. Mrs. Sharp said yes.

County Manager Meszaros said so next are the changes related to the Fire Tax District and the impact on the general fund.

Mrs. Sharp said yes, I'll talk about this. So in having some conversations with the Fire Marshall, we had originally put forward just a revenue neutral recommendation. But there are some ongoing cost increases in fire, and there hasn't been a large increase in their revenue for some period of time. So we looked at rather than keep it at the revenue neutral rate to do a .75 cent tax increase. There's currently a transfer from the general fund that I'm not sure why it's been in there, but everything else for the Fire Tax District is covered by the revenues from the Fire Tax District. So looking at kind of taking that out of the general fund and saying that with the 0.75 cent tax increase the Fire Tax District would absorb that $31,500. That is basically $1,500 for travel for the Fire Marshall, and then $3,000 per department for rescue operations. That's how it's been described. So we look at just rolling that in to the Fire Tax District, and then that would give the Fire District an additional $142,000 of funding moving forward. I know there's been some discussions about really having trouble getting enough apparatus on the scene because of challenges with volunteers, so I think there's a desire to look at how can you potentially possibly pay a stipend to the volunteers. Very, very few departments are able to have completely unpaid volunteers anymore. Most of them have gone to a stipend base in order to have enough people or to get enough men on the scene. Persons I should say. So that would be the revised recommendation on the Fire Tax District.

Commissioner Yarbrough said so you're showing transferring or leaving that $31,500 in the general fund? Mrs. Sharp said yes sir. Commissioner Yarbrough said then increasing the tax 3/4 of a cent? Mrs. Sharp said yes, to cover that, but also it would generate $142,000. Commissioner Yarbrough said so the $31,500 that's been going to the Fire District would be just used somewhere else. Mrs. Sharp said yes. County Manager Meszaros said it helps keep that tax rate low. Mrs. Sharp said and it helps make sure we keep all the dollars for the Fire Tax in the Fire Tax. Commissioner Yarbrough said but now you're up to three cents. Mrs. Sharp said yes sir. You're good at your math on the fly. Commissioner Yarbrough said small numbers.

Mrs. Sharp said so the next page just kind of shows the math. It also shows you what the total revenues are for the Fire Tax District. They're currently $1.17 million. The bulk of that is from property tax. There is some transfer from the general fund for sales tax, and then the motor vehicle tax. So all of that is dedicated to the tax. So we look at increasing the property tax by 3/4 of a cent and reducing the transfer to the general fund. So the new amount for the Fire Tax District would be $1.3 million. Those property tax dollars are paid based on the valuation of each of the districts for the 10 departments. So there are all separate and will get that based on the evaluation of their District.

Commissioner Yarbrough said how does that proposed number 1.1 billion compared to what the budget was in 2024? Is that the 24 budget number? That 1.1? Mrs. Sharp said the 24 budget, that's the 25: $1,173,000. The 24 was $1,145,000. Commissioner Yarbrough said what was proposed. Mrs. Sharp said yes, because we did just a tiny increase on the proposed. It was primarily revenue neutral. County Manager Meszaros said we rounded it off to ¾ a cent instead of .369 cents. Commissioner Yarbrough said wait just a second. If the Fire Tax District, that money is taxable? It's based off the same real property. Mrs. Sharp said yes sir, but within the defined tax district. Commissioner Yarbrough said I got that. I got that part, but if last year it was 1.45 million, tax revaluation increased values 41%; I could propose just be at 1,173,000 if you left the rate the same. Mrs. Sharp said we didn't on the recommended budget. We had a slight increase of .0239 cents. Let me look back in here. Commissioner Yarbrough said oh. What I'm asking is if last year was 1.145,000 and values went up 41%... Mrs. Sharp said oh, I'm sorry. I'm talking the total. I'm not talking just property. I'm sorry. I'm talking the total budget. I don't know what the property tax number was. Vice Chairman Holt said so it should have gone up. Commissioner Yarbrough said what I’m saying is if you left the rate virtually the same and the property values went up 41% on average, that Fire District Tax should have went up 41%, if you didn't touch the rate. Mrs. Sharp said let me go back and look at it. Commissioner Yarbrough said yes, you do that. Just look at it, if you don’t mind.

County Manager Meszaros said all right so page 19. So when you do your revenues and your expenditures, it has to balance. Right? It has to give you a balanced budget. So I just showed you with the revenues, that's that $293,500 that we just detailed. That gives you a revised general Fund Revenue of $35,377,000. For budget expenditures, we reduced the corrections $237,500. They eliminated the Sheriff vehicle expansion for $95,000. The revised salary recommendations went down $400,000, and eliminated the transfer to the Fire District of $31,000, which gets you down to that $35,377,000. So the next piece, last year you initiated the vacancy rate. So the county had never discussed anything about that budget portion with empty salaries or unfilled positions. Last year that was initiated, and this is kind of a general understanding of how that works. Mrs. Sharp said yeah. County Manager Meszaros said I'm punting that to Johnna. Mrs. Sharp said yes, the details are back to me. So budgeting for vacancies is a very common budget convention. I've used it since 1994 where your actual salary lines are always budgeted assuming every position is filled every day of the year. That never happens. Well occasionally it does. Some departments are lucky. They don't have any turnover, and that does stay the same. But in a lot of large departments you have more frequent turnover. So what that what a vacancy allowance does is it says we're going to have all of our line items budgeted assuming everybody's in the positions for all year, but then we're going to know where we have seen turnover historically. We're going to try and anticipate that. So by reducing that for budgeting purposes, it's easy. You put it in one-line item. It's called vacancy allowance, and it's a negative number so it reduces expenditures. By recognizing that you're not going to fully spend those dollars, you're able to reallocate those dollars to other priorities in the budget. Last year was the first year that the county had done that. If you turn to the next page, on 22, on the right side of the chart, I'll talk about the right side of the chart, and then we'll go back to the left. So on the right side of the chart was what were the negatives budgeted in each of the departments for 24, the fiscal year we're in. Those numbers were derived based on looking at where FY 23 was at the time the budget was built, and the year wasn't finished. But in fiscal year 23, there was $1.38 million in salary savings in these funds. So what happened in that case is that would just fall to fund balance. If you budget items and you don't spend them, it falls to fund balance. But it also took up $1.3 million that could have been used on other priorities. County Manager Meszaros said they kind of funded your increases last year or your changes. Mrs. Sharp said so looking now at where FY 23 was, we probably were a little bit high in our estimate for 24. So looking at the experience this year, we put in revised estimates on the vacancy rates. Which a reduction in a vacancy rate is an increase in expenditures because we took them down lower. We had a negative that was bigger than it should so you make the negative smaller, and the total budget goes up.

Commissioner Rose said why wouldn't you just budget for the amount of positions you have for that department being salaries? Mrs. Sharp said we do, but we know everybody's not going to be there all year. Commissioner Rose said right. What I'm saying is you don't have everybody. You budget, say the Health Department. I'm just throwing numbers. Say they got 40 positions, they have 32 positions filled now, and they've got eight vacancies. Will you budget for those eight vacancies, and at the end of the year, if they weren't filled, that money goes back. Mrs. Sharp said well there's two ways to do it. You do it that way, and it falls to fund balance. You've tied up that money, and you weren't able to use it on other priorities. Commissioner Rose said okay, but if you utilize that money that's in that vacancy rate for other things and then those positions get filled, you've got to go somewhere and find that money again. Mrs. Sharp said exactly. You're right, and that's what happened this year. Commissioner Rose said that's exactly what happened with some of these numbers. Mrs. Sharp said yeah. Exactly because that was the first year we' done it, and the estimates were off. Commissioner Rose said I mean I personally think it'd be better off to fund the positions that you have, have the money there tied up, and hopefully those positions will get filled. If they don't, the money goes back to fund balance. I understand it's tied up, but it's already allocated for those positions. So rather than going to robbing that money, using it over here for something, and then all of a sudden positions get filled just like that. Well you got to go find the money. Mrs. Sharp said well that's why you'll see that we've made significant changes in those amounts. So the specific question was around the Sheriff's office. So I just put the Sheriff's budget on that next page so you can kind of see it. So the top part… I'll also mention I believe last year in trying to get the budget done quickly, we put all of the vacancy rates for the Sheriff's office in the Sheriff's Office, and none in detention. So honestly I really look at those two budgets together, which is why I'm showing them here together. So you can see with the vacancy rate the 24 budget was…Remember the 24 budget had a 13 or 13 and a half% salary increase for Public Safety. So the budget only went up $100,000, but that was because of the vacancy rate. I believe given that the salaries have increased is why the Sheriff's turnover has slowed, and he's currently right now today, may not be tomorrow Sheriff, but he's full staffed right now. So we're still anticipating some turnover. Very nominal mount. $100,000. That's where we looked at the variance from 24 to 25. It looked like the budget went up a lot. Commissioner Rose said right. I guess the next question I got is we budgeted last year for those vacancies and for the increases. I guess my question is where did the money go. Mrs. Sharp said well if you'll look at the variance right now, the money was used, that $400,000, you could almost say was used to help fund the pay increases. You had $1.795 million of vacancy that the county was able to fund other increases throughout the budget, and you're right in essence. It's kind of kicked it down the road to here. If you wanted to take out that vacancy rate, that's an equivalent of almost three cents on the tax rate. County Manager Meszaros said so if you want to budget all of it, we would have asked for three more cents. Instead we're trying to manipulate the budget to make those vacancy rates allow us to use that money. Mrs. Sharp said and I will say the budget, it is the best estimates we've got based on the best information we have today. The whole thing is a big guess. I'd like to think it's a well thought out guess, but things could change. The Sheriff could have 10 vacancies tomorrow, and we would far exceed that $100,000. So it's all very much a balancing game. Commissioner Rose said I guess my thing was just if you have them budgeted in those line items and at any point in time those positions got filled, that money is there. Mrs. Sharp said yes, but they are. If you look down at the line items, it may not be in total, but we budget the full line items as the full amount and monitor those. If the Sheriff or any department might be going over in salaries because they're not being able to, what I call, cover the vacancy rate, well is there another department that might have had more savings that could cover it. While we budget for department, all the general fund money is general fund money. It can be reallocated, and I'll mention that right now. One of the things that we'll be bringing for you before you next Monday is what I refer to as the year end wrap-up ordinance, which is where we're looking at departmental budgets and fund budgets where it appears that expenditures are going to exceed the budget. We want to make those adjustments. It could be utilities. It could be the Sheriff's Department. It looks like right now the salary line items are going to go over budget, but there might be other dollars in the Sheriff's budget that can cover those amounts. So we look at the department in total, but we need to make any adjustments before the end of the year to the extent that we already know there might be over expenditures so we get everything straight with the budget. Commissioner Rose said there's one last question and I guess I'll leave it alone. Vacancy rate and lapsed salaries is that running together? Mrs. sharp said they're the same thing. Commissioner Rose said okay. I guess that's what I'm getting to because I hear so many times after we do the budget throughout the year that we need money for this, and we're going to lapsed salaries to get it. So you go to lapsed salaries and pull that money out. Then you may have two positions get filled next week, and now you got to go back and find that money. County Manager Meszaros said well Finance would restrict you from doing that till the money's available. Mrs. Sharp said yes. I don't think. There's been very little transfer of lapsed salary monies this year, and in a department that has a vacancy rate, you would never allow pulling out of salary money unless they had more than covered their vacancy rate. That's really Finance working with the department to monitor. Commissioner Rose said how is budgeting for those salaries from every department in comparison with the vacancy rate because you said if we didn't do the vacancy rate, the tax rate went up. Why if you're budgeting for the positions? County Manager Meszaros said we need the positions, but we don't have the hires available. So market…Mrs. Sharp said and hopefully they'll fill them. But based on the departments that we still have money in, for example Finance, we know that it's going to take a while to fill the Finance Director so we're going ahead and just reserving a little money there. But the Sheriff's Office I mean if he doesn't have turnover this year, well what's probably going to happen is he's going to have less money in overtime and less money in part-time people. So you've got all of those lines that you're monitoring and working together on, but the salaries, part-time, all the benefits, and all of those individual line items are budgeted assuming 100%. So what you're doing is you're looking at are there positive variances in those line items that are covering the vacancy rate. For this illustration, I just simply use the salary line items, but that vacancy is for salary and all benefits. Commissioner Rose said but you were saying without that vacancy rate, salary budget changes less than $40,000. Mrs. Sharp said yes sir. That's why I wanted to show that. So that's just a function of you promoting people and you hire people at different levels. So the total Sheriff's budget in these line items change $37,000 without taking vacancy rates into account. So that increase that shows on the comparison of the 25 budget to the 24 budget is purely a change in the vacancy rate.

Commissioner Dickerson said so with this vacancy rate, if you did it the latter of the two ways you discussed it, it would wind up being a 3 cent increase over and above the 2.25 you've already included into the budget that you proposed. Is that correct? Mrs. Sharp said well I kind of said that to say what it's the equivalent of, but honestly my recommendation would be if you didn't want to budget the vacancy rate, then I would budget more fund balance. Because if the vacancies occur, it's going to increase fund balance. Commissioner Dickerson said so here's my thought, and I'm trying to again process. If you do that the way you're talking about doing it and to Mr. Rose's point that he just bought up in there, then you take that money that you would have paid for those positions when they're not filled, and you're spending it somewhere else to mask an increase of 3 cents. Then they fill those positions. I know Finance is trying to watch all this stuff, but we could wind up having a shortfall of funds that we need to run the system. How do we avoid having that come back to bite us? I mean it sounds like really what we're doing is taking those salaries and we're saying okay they're not filled; we're going to use that money to plug holes somewhere else. Then they go fill the positions, and then we have a need to come up with the money to pay for the newly funded positions because you spent the money somewhere else on another issue and there's not enough to go around. Mrs. Sharp said yes, I can certainly see that point Commissioner Dickerson. But historically the county has been budgeting fund balance, not using it, and actually adding fund balance. Commissioner Dickerson said which brings me to another question. Of all these positions and how much money you're talking about for the unfunded positions, over what a million and a half or something you said? Mrs. Sharp said it was 1.3 million in 23. Commissioner Dickerson said that's a whole lot of positions and money. How long have these positions been vacant, and it begs to question maybe some of these positions do not need to be filled. Can we cut some of them out? We're always asking to add positions, but if they hadn't been filled for a prolonged period of time, maybe they're not necessary. It's just a drain on the budget to keep funding that position all the time. Vice Chairman Holt said well six months or about six months ago, we passed something. If a position was not filled within 90 days, it was deleted. I don't know if you're doing that. County Manager Meszaros said I've never seen that. I wasn't used to that, but I've never been shown that. I think part of the…Vice Chairman Holt said well it's there. County Manager Meszaros said Commissioner, part of the problem is we're not hiring people because those around us are higher salaries, and we're not competing to get those people hired. So we interview a lot of people. We try to get a lot of people in here, and we're just not obtaining those vacancies. Mrs. Sharp said well what happens more so in reality, and I see Kenneth here from 911. You've got to have people sitting in the seats to take the 911 calls. So what ends up happening when you have vacancies is you have to bring in part-timers that you have to rely on, or you're incurring a lot of overtime. Overtime is more expensive than having the position. So I think Commissioner Holt, it's could you eliminate those positions, but you can't eliminate positions that you have to have to provide more service delivery. The challenge is trying to figure out how to fill these positions, but there's constant turnover. That's not unusual in Caswell County. That is something that every County government experiences. Vice Chairman Holt said I see what you're saying, but what was happening was like let's take the library. They had three positions open, and they wanted to have two more. They were trying to put in extra. We knew what they were doing. So that's why we were doing this to try because we knew that they were padding their budget. So that's when we had this brought up, and we voted on it. So it's supposed to be 90 days. It's supposed to be cut, and I've talked to you about this personally so I'm surprised you don't remember. County Manager Meszaros said I guess we cut all or most those open positions and eliminated them. Melissa Miller, Interim Finance Director, said it may have been new positions, but I don't think it was existing positions because DSS can’t get rid of or do away with some of the positions.

Johnna Sharp said that's a good point talking about Social Services and the Health Department. I mean you are there providing a statutory service that's set out by the State, and you have certain requirements and mandates that you have to meet. So those dollars or those positions are not all funded with County dollars.

Vice Chairman Holt said I realize we're going to jump to that as soon as that argument comes up, but there's a whole lot of other ones that doesn't fall into that criteria. So let's don't pull out emergency medical stuff to use for your point. I'm saying Library. I'm saying all these other ones. Melissa Miller said that's what I said I believe it was new positions. Vice Chairman Holt said no it wasn't new positions. It was positions.

Commissioner Rose said well let me ask you a question. The reason that I brought up vacancies and stuff is because we were going through the budget when I saw the increase in the Sheriff’s Office line. I knew he had a lot of positions open at that time. That's why the Board voted to give the 13.5% increase was to get those positions. So when I saw that I'm like we budgeted for those positions, and we gave those increases. Why this amount? What kind of parameters can be put in place with this vacancy rate to see that we don't run into this again? County Manager Meszaros said I think you can have policies around it, but I think it just has to be managed. If you don't take advantage of that vacancy rate, you're basically budgeting for something that you're not using in the tax mill we collect. All of the departments have extensive needs that we've taken off, and those things aren't funded. It's opportunity costs. I mean at some level most of the departments have staffing, equipment, and training needs to pay. Those things aren't being addressed. We're keeping with the sustained budget we have. So with the limited dollars we have, we're trying to manage those dollars with these vacancies. And you're right if we get to a point where they are fully staffed. When you have 10 vacancies, your overtime is costing you as much to have those people. Not everybody wants to work overtime. So you're spending the money above and beyond at a rate and a half than just having somebody hired. Ideally they determine the force ratio and the staffing needs. Hopefully we can hire and fill those, but we just haven't been able to do that in most of these vacancies. So the way to fix that is with pay adjustments, but without having that available, we're using those vacancies to fund other things that are critical. I mean we could always create a policy and oversee it. When they do get full, take the vacancy out and make sure we're not allocating that. It's a management issue. All the departments are responsible for managing their budgets monthly. We just have to be good stewards of that.

Commissioner Dickerson said we're exposing a whole lot of variables here that we don't have a concrete answer for, but I don't want to sidetrack this conversation off the vacancy rate. Before I forget to bring this out, where are we at on the audits coming back so that we know what we're concretely dealing with before we pass a new budget. We're doing a lot of this based upon conjecture. We think we have this, but we don't have the final numbers back. Are we going to get that information in time to be able to process this? Mrs. Sharpe said no sir. We are getting very close on the fiscal year 22 audit. The 23 audit, there's still I wouldn't say a lot of work, but there's still some work there to be done that I don't think they will be complete by June 30th. Commissioner Dickerson said how long do you anticipate that that will be before they are completed? Mrs. Sharp said I really think, where we are at this point is, I really think the 22 audit I believe we can bring to you in July. The 23 audit, I would hope to bring in August. County Manager Meszaros said we were three years deficient. Mrs. Sharp said and the 22 numbers you know I've used those in some of the fund balance projections. Those are in pretty good shape. We still have some work to do on 23, but the good news is on both of those audits, the auditors have completed all of their field work. So we are just wrapping up exchange of information back and forth and finalizing details. So it's just a matter of us finalizing the numbers for 23 primarily, and then as soon as we get the financial statements that work will be turned around pretty quickly. Commissioner Dickerson said well with the amount of variables we have up in the air as a Board, I've seen this done on a Federal level; why can't the local level pass a continuing resolution. We go with last year's budget until we get the information we need to make an informed decision on this budget, and then come back and pass it. A continuing resolution would meet the State criteria of having a budget in place, and you just go with the same numbers you got until we get all information that we need to make an informed decision on the budgeting process. Mrs. Sharp said well the one thing I would caution you Mr. Dickerson is this is a unique year in that you cannot pass the same budget that you have because you have a totally different property tax base. If you don't modify the tax rate before July 1, you would be applying the 73.5 cents to your new 41% increase value to your taxpayers. I don't think… Commissioner Dickerson said if you set the tax rate, isn't there an exemption within state law that says if revenues fundamentally change in the coming year that you can go back and reset that rate, or I'm not understanding the law properly? Mrs. Sharp said I think that would be if they were…Yes, but I don't think that's applicable when you're having a property revaluation year because you cannot extend your property valuation year. It has to be done this year to be in compliance with State law. So those values as of one, one… So I'd have to seek some guidance from experts at DOR, Department of Revenue, but if you wanted to keep…Commissioner Dickerson said what about the School of Government? Could they weigh in on that to tell us what we could do because I mean I'm not a lawyer ma'am. I don't know. I don't claim to be the smartest guy in the room, but the way I read that law is it says if the revenues change substantially, we can change that rate. So if that being said, it's my layman's interpretation, how do we get somebody at the legal level to be able to weigh in on it and say yeah or nay. Because that would be the simple answer to the dilemma we face. If we could continue on with the budget that we had from last year, and we do a revenue neutral. If we don't do anything else on that tax rate and we wait until we get all this information back before we make a decision on the budget, then we make an informed decision, and everybody can leave with a clean conscience that we did what was best by not only the needs of the county but by the taxpayers of the county. We don't undercut the needs, and we don't over tax the people based upon not having all their facts in place before we make such an important decision. Mrs. Sharp said well I think the only numbers that the audit would give you that are directly relevant to this budget is the fund balance number. Commissioner Dickerson said well that will bring you to my second part of it. If we're talking about raising taxes on the people in this County and we got a 20% budget balance in there, and if we can say that that's true, and we don't have the audits back that's why I'm talking about I hesitate to even bring this one up because we don't know 100% that that's actually there. So that being the case, if we have that excessive amount of money in that fund balance, then some of that needs to be turned loose before we start talking about raising taxes on people in the county. Because the way government works, if that money is sitting there after we approve this budget and the tax rate is set, then you're going to have everybody eyeballing that money. We can spend it on this; we can spend it on that. It's as good as gone just as soon as the inks dry on a new budget. There'll be people planning on how to spend that as well. So I'm not a big fan of keeping an excessive amount of money on hand for future needs. We want to have what we need by the State mandate. We don't want to fall below, what is it, eight%. Then they come in and take our finances away from us. We don't want to get too low, but 20's high. Johnna Sharp said no sir.

County Manager Meszaros said so if we turn to page 25, the small counties under 25,000 population the statewide average is 48% fund balance. We’re recommending 20%. Mrs. Sharp said no, no, no. That is total. We would recommend an unassigned fund balance of 20. You have a total fund balance, which has lots of restrictions against it that aren't available for spending. So even if you dropped it down to 15%, and I can bring back the fund balance forecast that I did. Maybe we can bring that up. I think I had that at the last meeting where we projected based on the amounts that were in the 2025 recommended budget. Your unassigned fund balance would be reduced to 18%, and your total fund balance would be reduced to 40%. So the fund balance at this point anticipating where you will be for 22, 23, and 24 I would say is not in the excessive range because you are budgeting to draw it down this year. If that were the case, then you're bringing it well down into below State average ranges.

Commissioner Dickerson said what is the state mandate? What percentage of the unrestricted fund balance? Mrs. Sharp said there is no State mandate sir. The 8% has been a myth. Commissioner Holt is exactly right. The LGC has tried to dissuade counties from continuing to perpetuate that they require an 8%. Counties are required to keep what fund balance is necessary to protect them against emergencies and maintain their cash flows. Commissioner Dickerson said okay. For years it was 8% was a recommended mandate of what they have, but now we're going to go to 20. You mentioned 40% of the balance.

County Manager Meszaros said so on page 25, you can see where we are in the green in comparison to other counties similar to us. Mrs. Sharp said and here's the reason why counties need a relatively large fund balance. Your largest property tax source or your largest revenue source is property taxes. The bulk of which you receive in December and November of each year. If you don't have an adequate fund balance, you will not have the ability to pay bills prior to those revenues coming in. So counties have to have a large float or a large reserve because you're going four to five months into the year.

Commissioner Dickerson said well ma'am with all due respect, we are talking about having a huge increase in our fund balance. You're talking about if we don't have that we may not have the ability to pay our bills, but we have paid our bills with far less than 20% in the fund balance for many, many years. Mrs. Sharp said no. You've had a pretty healthy fund balance for several years. I'm talking total not unassigned. Commissioner Dickerson said okay. Mrs. Sharp said the total fund balance. The unassigned is a variable. The most important thing is to keep a total fund balance, but to make sure that the dollars are not such that the restricted amounts because you're going to have restricted amounts in your fund balance. For example, there's school tax reserves. There's whatever you budget for the next year's budget is not available. So you have lots of things that get deducted, and when we bring the 22 financial statements forward, I'll make sure I go through and explain what those restrictions are and to why you look at keeping that a relative. Most counties look at between 15 to 20% trying to keep their unassigned to be financially healthy. Now you can lower it. As you know, that's a policy choice, but just make sure you understand the ramifications of it going lower. Commissioner Dickerson said we're kind of getting off the beaten path and pursuit of this avenue. Can you get me the information from someone qualified to make the call on whether or not we can go back and revisit the tax rate if we set it let's say revenue neutral? Then we get all their information, we go back, and can we change that rate at a later date? Will we qualify to be able to do that? Mrs. Sharp said I will research that and see. I would just say that if it turned out that the 2% tax increase or the two cent tax increase was warranted, I don't think that would qualify under the significant difference. In most cases that clause is there for when you have economic crisis. Where in most cases counties need to increase their tax rate not decrease it. Commissioner Dickerson said well we’ve had an economic crisis; I would say because we are don't have a fund balance determination because we've had several budget audits that hadn't come back to us. We're trying to decide a budget based upon that information that directly impacts our fund balance. So I would say that maybe we do qualify under that law. I would feel better if we had some one that is qualified, had an attorney that deals in this, give us yay or nay because seems to me that would qualify. Mrs. Sharp said well and let me just clarify. If you want to put forward the budget as it is at the revenue neutral rate, then that is setting the budget. We would have to go through because even the 24 budget I don't think you'd want to adopt the 24 budget as this year's budget because there are a lot of changes that we've reflected in this 25 recommendation that is a lot of clean up. Commissioner Dickerson said I don't think maybe what I'm saying is coming across in the way that I mean it. What I'm talking about is if we continued on with the current levels of spending this County had last time around. We didn't add any kind of spending to what we had before, and we waited till we get the rest of the information back in the form of the budget audits and the whole nine yards. At that point in time, we could ratify the budget based upon the determination of the actual funds that we have, and we can prove we have. If that State law exemption allows us to be able to go back and reset the tax rate if we needed to raise it or we needed to lower it, at that point in time we could go from revenue or whatever. If we don't want to say revenue neutral or whatever the layman's term is to where we're not going to mess with the tax rate until we find out what information we need to know how much money we're actually going to spend in the budget. County Manager Meszaros said we do know that, or we have proposed what we recommend you adopt, and then do. Mrs. Sharp said well so let me see if I can clarify this. So I think what you want to do, Commissioner Dickerson, is us to bring back a budget that only has the revenue neutral rate in it, and to see what that budget would be. Commissioner Dickerson said that would be nice. Mrs. Sharp said so basically take the tax increase out. Commissioner Dickerson said that would be nice. Yes, ma'am. Mrs. Sharp said okay. County Manager Meszaros said that's pretty easy to do. Mrs. Sharp said we can absolutely do that, but I will still research the question on if you can change the tax rate later. County Manager Meszaros said you can always adopt another subsequent budget, but you cannot change the rate unless it's s qualifying reason. Mrs. Sharp said yes, you can. I mean you amend the budget all year long. So amending the budget is not an issue; it's just the ability to change the tax rate. Commissioner Dickerson said which goes back to the question I asked that I'd like the lawyer to weigh in on. What effect does that State law have on our ability to change that tax rate? That's all I'm asking. Mrs. Sharp said yes. County Manager Meszaros said sure.

County Manager Meszaros said so on to, you want to still go through the fund balance appropriations on page 24? Mrs. Sharpe said yes. While we're on fund balance, just wanted to make sure that the Board has and Commissioner Dickerson this is based on the 22 estimates because I feel pretty good about these numbers for the 22 fund balance. We don't have 23 fund balance yet. So those are the fund balance amounts of the various funds, and those are the general fund and all the sub funds within it. So then what's appropriated in fund balance with those funds is $3 million in, or it was $3 million in 24. The amount appropriated for 25 is the $4.1 million.

Commissioner Yarbrough said can we stop just a second Johnna? Mrs. Sharp said yes. Commissioner Yarbrough said on general fund the $2,878,632 that's appropriated for 25, is any of that recurring? Is that one-time expenses? Mrs. Sharp said if you look down right below that, I have the one-time expenses that are funded from that $2.8 million. Commissioner Yarbrough said that $676,500. Mrs. Sharp said yes sir. Commissioner Yarbrough said so over two million is recurring? Mrs. Sharp said yes sir. County Manager Meszaros said that's to balance the tax… Mrs. sharp said well that's 2 million in the General Fund plus the amounts in Social Services and Public Health. Commissioner Yarbrough said I'm just talking about General Fund. Mrs. Sharp said yes, general fund. Yes, that would be 2.2. Commissioner Yarbrough said $2.2 million we're taking out of fund balance to cover recurring expenses. Mrs. Sharp said yes sir.

Commissioner Rose said is that including the school payment? Mrs. Sharp said yes sir. Then Mrs. Sharp said no, no, no. Not in fund balance. No sir. I mean well recurring expenses would be everything so I don't know that you can actually say what that 2.2 million is tied to. It's covering a host of recurring expenses.

Chairman Jefferies said what was 4% of the Fund Balance? If he took out 4% of fund balance, what would that be? How much money? Would that be enough to cover 6 months. That 2.25 cent. County Manager Meszaros said so one cent is $230,000. Chairman Jefferies said I know one cent is $230,000. I understand that. If we cut the Fund Balance to 16%. So right now it is… Mrs. Sharp said it's projected to be at 18% at the end of the 2025 budget. Chairman Jefferies said so if we did that, that would mean we wouldn't have to raise this tax 2.25 right? Mrs. Sharp said you could. Yes, sir. But the one caution is you're already using $2.2 million of fund balance to cover recurring expenses right now. If you add more of that to cover recurring expenses… County Manager Meszaros said the next year subsequently will get bigger and bigger. Mrs. Sharp said yes. Absolutely. We can certainly do that. Chairman Jefferies said my point for saying this is we know, now I know today, that we are counting an increasing in valuation that people got to pay plus the 2.25% on top of that. Right? County Manager Meszaros said no, it's not on top. That's the only change. The Reevaluation doesn't assign a percentage. The reevaluation is just the value, and then we set the tax rate based on our budget. So there's no associated additional expense from the reevaluation unless we do that through the budget. Mrs. Sharp said but some people will pay more and some people will pay less, but in total the taxes would be the same at the revenue neutral rate. So I think what we could do is bring back a budget that has no tax increase, look at what expenditures we would reduce, and also show you what that would look like if you didn't do a tax increase but left the expenditures where they were and used fund balance.

Commissioner McVey said that means you're not putting anything in there just the schools. Mrs. Sharp said just what they're…County Manager Meszaros said just the capital. Commissioner McVey said just the payment coming out of fund balance. Melissa Miller said are you talking about the new school? Are you talking about the high school? County Manager Meszaros said they have a transfer for their capital for the HVAC. Melissa Miller said they're talking about the new high school payment. Mrs. Sharp said the new high school payment is not fund balance. It is recurring money because it is debt you have to pay, and that's the first thing you have to pay. So it would never be fund balance. County Manager Meszaros said they just never subsequently adjusted it. Commissioner McVey said if you brought just this budget back like it was last year, then you're not increasing any tax to pay for the school. County Manager Meszaros said correct. Mrs. Sharp said right. Commissioner McVey said so then where does that money come from? Mrs. Sharp said you're going to have to cut other county expenditures because you cannot cut the debt service. Commissioner Rose said you use fund balance. Mrs. Sharp said or you increase fund balance. Right. Commissioner McVey said that's what I'm talking about. You got to use fund balance. Mrs. Sharp said but I wouldn't associate fund balance with my debt payment.

Commissioner Yarbrough said just since we on school, Scott, maybe you or Johnna can answer a question. The $312,500 for capital outlay is for what? County Manager Meszaros said their HVAC. I believe it's Stoney Creek, but I'm not sure. Commissioner Yarbrough said I thought…Am I thinking right that during the first budget presentation, you said that school system had some funds they could use for that. County Manager Meszaros said so I have been approached by the Interim. I don't see him here, but the Interim Superintendent doesn't like that because this Board allocates the State Lottery funds and controls those funds. I'm suggesting we use that Capital funds to pay for their known project. They have a little bit of that $400,000 of the $800,000 they have earmarked for other grants that were already denied. So I'm saying the $312,000 gives them that 777 you see in the budget to do their own capital reserve with the funds that you control and allocate. That was our recommendation. You don't have to do it that way. Commissioner Yarbrough said so we control the lottery funds that come in. Mrs. Sharp said yes sir. Commissioner Yarbrough said but they have to go to the school system. Mrs. Sharp said yes, but you make the determination on how they are used because you are responsible for all the capital funding of the schools.

County Manager Meszaros said so I think the last thing is the wrap up ordinance. So I mean there's a lot of information here, but I really feel like the expenditure side we've work forward and backwards. I think that's really tight on the staff request that you see in that packet that we made last meeting, and you're right. The net, we've reduced it to the net impact. It’s really the Fire District increase and the 2.25. Two of that is the school allocation. So we're really asking for a 0.25% increase from last year's budget, which we provided all that data. What all the counties around us are doing, and what, 12 years with no increase. I don't know that I could anybody else that's ever done that around here, but that's in your determination to prioritize. If you want us to bring it back without that, we can do that. I think at this point, the only way to do that is through direct recommendation of what we take out. And like I said 2.25 cents is about $460,000. It's about $500,000. So I mean the next step before that, we would like to have at the next meeting the public hearing scheduled. We would like to get you a budget ordinance with all of this spelled out because it isn't just getting to June 30th and getting a budget adopted. We need to be able to input the software and get things prepared because you don't just start the New Year tomorrow. We've got to do a couple weeks’ worth of work to do that. So I mean if you have any more input…

Vice Chairman Holt said you might want to get some more meetings lined up because I don't think you going have the votes to do that. County Manager Meszaros said I think we're pretty close. I mean if you see things in the budget, we're here tonight. Vice Chairman Holt said well I don't know what's in it. I don't know what you've cut, and what you have not. Like the dog uh… is it in there? County Manager Meszaros said no sir. It's in the line items in here all of them. Everything that's been asked for and we've gone over. Vice Chairman Holt said when can I get a copy of that. County Manager Meszaros said we gave you this at the last meeting. Melissa Miller said that was at the last meeting. Vice Chairman Holt said okay. Well he just said tonight he came back because they made a lot of cuts. County Manager Meszaros said we did, and we detailed those in this report. I'll have to make this on the website, but everything is extremely transparent. If you have items, I'd love to hear what they are. We can discuss them. We can come up with a solution, but there's still a lot of steps left to get the ordinance ready. I think if you have questions, items, or need to talk to Department Heads, I don't know what more we could do on the finance side to prepare. Everything is presented. It's a decision factor of do you want to do the 2.25 and the 0.75 for fire, or we want to do zero. We just need to know. Maybe at the budget hearing, we could take motions to get recommendations on changes, then adopt the ordinance, and amend that. But if you think we need more meetings, just let us know.

Commissioner Rose said do any of you know that lottery amount that we're getting from the State? Mrs. Sharp said well I know there's $879,000 sitting there right now.

Commissioner Yarbrough said all that's for capital projects. Mrs. Sharp said yes.

Commissioner Rose said we designate where that money will be allocated. Mrs. Sharp said the schools typically put forward a recommendation, and you decide how to use those funds. It was just our recommendation that since they had made a capital request and those dollars were sitting there that we could use those to fund their capital requests for this year.

Mrs. Sharp said I think what we could possibly do Mr. Holt, to your question, is that there are a lot of moving pieces. So we can work on trying to kind of synthesize what this revised recommendation looks like, but we can also look at bringing back a no tax increase and use fund balance for what's recommended options for a work session prior to the meeting next week. But we provided you all with all of the line item detail for FY 24 budget versus actual that had the recommended budget next to it. We can revise that so that it's got the revised recommendation or just kind of give you a good summary of what's included in there because the base budget changes I would say that there haven't been a lot of them. There aren't a lot of changes in the base budgets because we asked departments to keep them where they were. So it's really any expansions that are recommended, but we can clean up that list and give you or try to make it a little bit easier to follow.

Commissioner Rose said page 16. Everything in that increase/decrease line item decreases. Mrs. Sharp said page 16. County Manager Meszaros said are you talking about the general fund? Mrs. Sharp said everything except the loan-courthouse improvements. When I went back, I had a question on that. When I went back to double check it, it turns out the line was too low. So I'd recommend increasing it the $4,214 to get what the actual debt payment will be for fiscal year

25. Commissioner Rose said so the EMS capital outlay, is that an increase from the previous? Mrs. Sharp said it's a decrease. All those others are decreases. Commissioner Rose said these are things you found. Mrs. Sharp said yes. So the $107,400 came out of the base. That was in the base and should not have been. It was carried over, and it shouldn't have been. The $72,600 was an amount that got entered as a base increase and an expansion. So that was adjusted, and then we did some cleaning up on the positions at the last minute to get those correct. Then cleaned them up in one place and didn't clean them up in the other place so that reduces health insurance for the Sheriff and Health Department. Then as I mentioned, I went back and recalculated the amount that is likely needed for the special separation allowance, and reduced that amount by $40,000 because it was budgeted at $180,000. Commissioner Rose said so the $237,500 all decreases plus you have a $400,000 decrease. Mrs. Sharp said in the salary line. Commissioner Rose said where you had the proposal of a 4% salary across the board increase and deducted it to a 2%, which saved $400,000. Mrs. Sharp said down to two and a half. Commissioner Rose said what else? County Manager Meszaros said the $95,000 for the upfit on vehicles for the Sheriff's Department that's on there. Mrs. Sharp said and then the transfer reduction in the fire taxes. Commissioner rose said so the loan-courthouse improvements that was just the increase of $4,000. Everything else was a decrease. Mrs. Sharp said yes. I'm like making sure there's nothing in the deadlines. Commissioner Rose said how much total was cut since the last meeting? County Manager Meszaros said we have that. It was…Mrs. Sharp said if you look on page 19. $764,000 was cut or was reduced in expenditures, and then there was a million dollar decrease related to the decrease in the property tax rate. Then a revenue increase from investment income that the net change to revenues was a reduction of $764,000. Commissioner Rose said that $142,000 increase that's divided out between the fire departments? Mrs. Sharp said yes sir. Not equally, but based on their tax valuation for their district. Commissioner Rose said that's not everyone; that's balanced out. Mrs. Sharp said yes. Every department will get something. County Manager Meszaros said that's the net increase. Mrs. Sharp said and they would continue to get the $31,500. It's just going to be funded or our recommendation is to fund it from the fire tax district rate not the general fund. Commissioner Rose said how would that affect somebody like Casville, who has their own set tax district.

Vice Chairman Holt said Casville doesn't go through the County. Commissioner McVey said Casville has its own tax rate. It's set up over a hundred years ago. Vice Chairman Holt said so I can get a bill from Casville Fire Department. Commissioner McVey said your tax bill. Mrs. Sharp said it's on your tax bill. It's specifically for the Casville District. Commissioner McVey said it says Casville on the tax bill.

Commissioner Yarbrough said so they're still getting the $31,500? Mrs. Sharp said yes. Melissa Miller said it's coming out of a different… Commissioner Yarbrough said different pot. County Manager Meszaros said it's not getting transferred out of the general fund to the fire district. It's going directly to the fire district.

County Manager Meszaros said I mean I just have to thank Johnna. I don't call attention to that. She has probably spent 100 hours a week on this stuff. I very much appreciate her expertise. I feel like it's very, very sound.

Chairman Jefferies said we need to come together on what we want bring back. Commissioner Yarbrough said bring it back and we'll look at it.

County Manager Meszaros said I think it's pretty clear we want to bring back a neutral rate tax taken out the general fund and doing the 2.5 in that method. We need to research the exemption to setting the tax rate. I mean outside of that do you have any individual. I feel like we've gone through everything thoroughly.

Vice Chairman Holt said what were you planning on happen next Monday? County Manager Meszaros said well so it's the public hearing. So when we present it, we have to put together a budget ordinance outlaying all the separate funds. We would present this information in a packet, and in the public hearing the public has a right to come speak. So we would open the public hearing, and people are allowed to talk. We would close the public hearing. Ideally we would present to you those options you just discussed, and you would pick an alternative. We could move forward with that alternative. Vice Chairman Holt said I think we should have another meeting before that. County Manager Meszaros said we could do that prior to the meeting if you choose, but the public hearing is already advertised at 5 o'clock. So if we do that, it would have to be like 3:00.

Commissioner Yarbrough said how long will it take you to get it together. County Manager Meszaros said not too much. Commissioner Yarbrough said the budget neutral. County Manager Meszaros said there's only the three separate items.

Vice Chairman Holt said do you have any opening s John? Cara said he left the meeting. Mrs. Sharp said is there a desire to try and meet this week? Vice Chairman Holt said it would have to be. County Manager Meszaros said unless you want to meet prior to the meeting.

Chairman Jefferies said could we have a meeting next week like on Wednesday? Melissa Miller said it has to be before Monday.

Vice Chairman Holt said we don't have to vote on it Monday. Mrs. Sharp said I think we will bring forth the agendas, but you could defer it to another day. You don't have to adopt the budget at a regular meeting. You can't have a special meeting to adopt the budget and from a practicality standpoint in getting this budget ready for July one, whatever it is adopting it much later than the 24th is a real challenge to get it in the system so that you can pay employees and pay your bills.

Commissioner Yarbrough said you need at least a week. Mrs. Sharp said yes. Melissa Miller said it's got to be in the system before we can. Mrs. Sharp said and there's a lot of work that goes into making sure it's right.

County Manager Meszaros said when we do that, we'll publish or we'll give you an improved budget document, which is our adopted budget.

Commissioner Yarbrough said Mr. Chairman, why don't we just go ahead and schedule next Monday and listen to what they bring back. If it's something we want to go with, we'll approve it. If we don't, we'll meet again later that week.

Mrs. Sharp said and if there's anything that anybody wants to see differently, please let us know.

ADJOURNMENT:

A **motion** was made at 6:50 pm by Commissioner Yarbrough and seconded by Commissioner Rose and **carried unanimously** to adjourn the meeting. (Ayes: Commissioners Yarbrough, Rose, McVey, Holt, Gwynn, and Jefferies)

Carla R. Smith Clerk to the Board	Jeremiah Jefferies Chairman