

STATE OF NORTH CAROLINA )  
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COUNTY OF STOKES )  
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OFFICE OF THE COMMISSIONERS  
STOKES COUNTY GOVERNMENT  
DANBURY, NORTH CAROLINA  
SEPTEMBER 30, 2013

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Joint Meeting with the Stokes County Board of Education in the Stokes County School Administration Building (Board Room) located in Danbury, North Carolina on Monday, September 30, 2013 at 10:00 am with the following members present:

Chairman Ernest Lankford  
Vice Chairman James D. Booth  
Commissioner J. Leon Inman  
Commissioner Jimmy Walker  
Commissioner Ronda Jones

County Personnel in Attendance:  
County Manager Richard Morris  
Clerk to the Board Darlene Bullins  
Finance Director Julia Edwards

Stokes County Board of Education:  
Chairman Michael Rogers  
Vice Chairman Becky Boles  
Member Sonya Cox  
Member Pat Messick  
Member Jamie Yontz

Stokes County Schools:  
Superintendent Ronnie Mendenhall  
Dr. Todd Martin, Assistant Superintendent  
Executive Director of Finance Lanette Moore  
Administrative Assistant Ann Robertson  
Executive Director of Operations David Burge  
Maintenance Director Ricky Goins

Chairman Michael Rogers delivered the invocation.

Chairman Rogers invited everyone in attendance to join the Board of Education in the Pledge of Allegiance.

Chairman Rogers welcomed those in attendance for today's meeting.

Chairman Lankford called the Joint Meeting for the Board of Commissioners to order.

Chairman Rogers opened the meeting with the following comments:

- Basically, the Board of Education is coming to the Board of Commissioners because we are hurting
- Board of Education has decided to lay everything out
- Board of Education has incurred emergency expenses between roofs, mold remediation due to leaking roofs, and retaining walls falling which has decreased our Fund Balance
- Requested Director of Finance Lanette Moore to provide the Board of Commissioners with detailed financial data

Director of Finance Lanette Moore presented the following financial information:

- Capital Outlay
  - Have had several emergencies that had to be taken care of:
    - Mold remediation = \$151,387.40
      - Unexpected emergency
      - Feels the issue is now under control
    - Retaining wall at North Stokes High School = Estimated at \$120,000
      - Was actually in the F/Y 2013-14 Budget, but ended up being an emergency and had to be repaired
    - Boiler at Piney Grove Middle School = estimated \$7,500
      - Was actually in the F/Y 2013-14 Budget for replacement, has been changed to repair and has been started before cold weather
    - Air conditioners, water cooler, and defibrillator = estimated \$6,000
  - Only have \$141,389.80 left for capital outlay projects for the remainder of this year which has not been allocated yet by the Board of Education
  - This \$141,389.80 is left from the \$307,731 allocated from the County plus \$118,498.74 from the Board of Education's Fund Balance
- Current Expense
  - Based on the audit, Board of Education ended with approximately \$2.6 million in Fund Balance (06-30-2013)
  - Appropriated almost \$1.2 million to balance this year's budget (FY 2013-14) which left almost \$1.5 million in Fund Balance
  - Board then decided to transfer \$350,000 from the Fund Balance to capital outlay for a new roof at South Stokes High School ("C" Building)
  - This was the building that was so bad with the mold
  - Leaves the Fund Balance at approximately \$1.1 million
  - Very close to what it took to balance this year's budget
- Reiterated that there is \$1.1 million left in the Fund Balance after transferring \$350,000 to capital outlay
- Reiterated that there is approximately \$141,000 in capital outlay for the remainder of the year

Chairman Rogers confirmed with Maintenance Director Ricky Goins that the \$7,500 was for repairs to the boiler only, could be more if some sections are found to be un-repairable.

Chairman Rogers commented:

- Reiterated that approximately \$1.2 million was taken from Fund Balance to balance this year's budget
- Just found out that there is a potential decrease in funding this year due to decreased enrollment
- Requested Director Moore to provide the details

Director Moore responded:

- Have a decrease in student enrollment this year
- Will not know until the end of the second month
- Looks like the school system will lose approximately 4 teaching positions with some loss in dollar allotments
- Probably looking at a loss between \$300,000 to \$400,000
- Once the ADM exceeds a decrease of more than 100, State will take funding back
- Based on the planning projection the State used in February, the school system is currently down 141 students from the projection that was used for the ADM allocation
- Will probably not know the exact amount until sometime in November
- Have had a meeting, which included Sheriff Mike Marshall, regarding possible grant funding for Resource Officers and panic alarms for the schools
- Matching funding is also required for the grants
- Dollar for dollar on the panic alarms
- One to two on the Resource Officers
- Will be meeting again to discuss making an application for the grant funding
- Looks like the school system could qualify for two Resource Officers which would be \$28,000 for the County match and \$2,000 per panic alarm – could be a total cost for the school system of approximately \$68,000

Chairman Rogers questioned Director Burge for estimates on the panic alarms?

Director Burge responded:

- One informal quote has been received for \$2,000 for each school which would be \$20,000 from the school system and \$20,000 from the State (20 schools at \$2,000 each = \$40,000)
- There would be a button located at each school, when pushed, would alert the Sheriff's Department
- There would be other costs incurred, backup power system along with a monthly fee for a monitoring system
- Will be mandated in 2015

Chairman Rogers commented:

- To sum it up
- Approximately \$1.1 million left in Fund Balance
- Approximately \$141,000 left in capital outlay
- Haven't touched any projects, all projects have been put on hold

Director Burge commented:

- There are two projects, which are the sand filter beds at North and South Stokes High Schools, that currently have state violations
- State is mandating that the sand must be replaced in both systems
- Cost estimated at \$40,000 for North Stokes and \$70,000 for South Stokes= \$110,000
- Unexpected emergency

Chairman Rogers commented:

- If you take the \$110,000 from the remaining \$141,000, you would only have \$31,000 left in capital outlay for the remainder of the fiscal year

Maintenance Director Goins commented:

- Sand was replaced a couple of years ago at South, but this process is completely replacing pipes, gravel, and sand
- This has never been done to either system
- The systems were installed 50 years ago

Director Burge commented:

- Water was checked and does not meet the minimum guidelines for what is being dumped in the creek

Chairman Rogers commented:

- There will be nothing left for next year which will result in drastic cuts in manpower and services

Chairman Rogers requested comments from Board of Education members:

Vice Chairman Boles commented:

- No one has asked for the things that have happened
- Board of Education has tried to be good stewards of the funding received
- With these encounters and the things that must be done, Board of Education needs help from the Board of Commissioners
- Would appreciate the Board of Commissioners taking all this into consideration

Member Yontz commented:

- Wanted the Board of Commissioners to see the big picture
- Have one major question for the Board of Commissioners, "What is the Hold Harmless revenue that wasn't expected going to be allocated for?"

Chairman Lankford noted that question would be answered from Manager Morris' presentation.

Member Cox commented:

- Fund Balance was available due to the careful allocation of federal dollars by Finance Director Moore
- Knew the federal dollars would go away
- Trying to avoid the cliff as long as we could
- Next year will probably be the year that Board of Education hits the wall
- Very concerned about current expense next year and losing teaching positions
- Receive emails weekly from parents concerned about combination classes, wanting teaching positions added, 27 students in an elementary class, etc.
- Hard to explain this to a concerned parent in an email
- Have to explain the entire budget for someone to really understand
- Same thing at the Francisco meeting, parents are wanting to know why more funding and teachers can't be allocated
- Census only allows for a certain number of teachers
- There is the same situation across the county with smaller schools that have to have combinations
- Aware of the County's budget situation
- Elected to represent the schools and their budget along with trying to meet each schools' needs
- Feel both boards need to work through this to be able to answer to the people who elected us
- Need to come to some type of resolution
- Need to see if there is some creative thinking, outside the box, we can all do to help with some of the capital needs this year along with next year's current expense

Member Messick commented:

- Thanked the Board of Commissioners for meeting with the Board of Education
- Our school system, along with all school systems in the state, has been hit hard economically
- Have dire needs for extra money for roofs
- North Stokes, Chestnut Grove, Germanton, and South Stokes are all in critical need of new roofs
- As you are aware, the Board of Education has already drawn \$350,000 from the Fund Balance, plus expensed \$151,387 for mold cleanup from capital outlay
- Need extra funding for capital outlay
- Are asking for extra funding now because we received less this year than in years past
- \$307,000 is not enough this year due to receiving a lot less money from the state
- During a meeting, I heard some of the Board thanking Bryan Holloway for helping our county get \$1.1 million Hold Harmless revenue and \$2 million for the sewer system for Forsyth Tech

- You said “ how much that money was appreciated and didn’t know where the money would have come from without receiving this money from the state”
  - You said “you have carefully saved money back in the Fund Balance to balance the County’s budget each year”
- The Board of Education has saved money in their Fund Balance to have money to balance their budget
- The Board of Education took \$1.1 million this year from Fund Balance to balance their budget
- The Board of Education must keep funding in Fund Balance
- Can’t spend everything down to a zero balance and have to depend on a “bailout” to keep personnel and balance the budget
- School system is one of largest employers in Stokes County
- Have already been reduced this year in teacher allotments from the state
- Could have hired 317 positions, but the state has decreased the allotment to 291
- Reduction of approximately 25 teachers this year
- Could also be reduced by possibly 4 more teachers in November
- Took a reduction from the state this year before the funding was allotted to the school system instead of having to send it back like in years past
- Need the county’s help for capital outlay repairs
- Can’t do it alone
- Need help for the students’ safety in Stokes County

Chairman Rogers commented:

- Looking at approximately \$1 million in Fund Balance
- If 4 teaching positions are lost in November, will have to shuffle the deck with every child in Stokes County turning classrooms upside down or hit the Fund Balance for another \$300,000 to make ends meet
- Only have \$31,000 left in capital outlay
- Mandate from the state in 2015 for panic alarms
- Have opportunity for additional Resource Officers, but can’t afford them
- Estimate finishing this year with only \$600,000 remaining in Fund Balance
- Reiterated \$1.1 million was used from Fund Balance to balance this year’s budget
- Every year, utilities, benefits, retirement, etc. goes up and are not getting any more money
- Having to keep dipping into the piggybank and the pig has “squealed”

Member Messick commented:

- Requested Director Moore to address the reduction from the state
- Believe it was unclear to a lot of people
- In years past, school system had to send funding back to the state each year
- The newspaper reported this year that the school system would not have to send money back to the state, but did not report that a reduction of funds was taken to begin with

Director of Finance Moore commented:

- Originally estimated that \$1.6 million, when the proposed budget was submitted to the County, would have to be returned to the State
- In the past, the Board of Education had the ability to decide where the cuts would come from
- Has changed this year
- Instead of a discretionary cut, it has been called a reduction
- It was taken from line items – classroom teachers, instructional support personnel which could include media, guidance, nurses, teachers and textbooks/supplies
- State decided to make the cuts before funding was allocated
- Didn't have to return funding this year because it was reduced before the allocation was determined, but have lost positions
- Some funds have been added in the area, but not necessarily in the operating part of where these line item cuts were made
- Funds are set aside for private school attendance
- Funds may have been given back in a different direction, but is not basically helping in the areas that the school system has faced the cuts
- Little different language than the school system has dealt with in the past – reduction instead of discretionary cuts
- From the information received from DPI, school system actually lost 24.5 positions between classroom and instructional support – estimated loss of approximately \$700,000
- Board of Education had estimated \$1.6 million with state estimating \$700,000 reduction

Member Messick commented:

- Have more students going to charter schools this year, more money being taken out of the budget

Director of Finance Moore commented:

- Just received an invoice from the Millennium Charter Academy in Mount Airy, ADM has increased this year by 20 students
- Last year, there was 45, this year 65 students

Member Messick continued:

- A lot of you do not have children in public schools here in Stokes County
- But, surely you know people that do
- Asking each of you to think about those students, because parents will want to know where are the panic alarms that they are reading about in the paper that other schools are getting
- They will want to know how many Resource Officers have been hired
- Everyone is concerned about safety
- They are going to panic when they think about the poor conditions of the roofs
- They are going to look at us and we are looking to you for some extra money to get those panic alarms and hire two Resource Officers

- Think about your neighbors, your grandchildren, your nieces and nephews, and the students in Stokes County Schools that are depending on all of us sitting here to fund these important things that we have discussed today
- Please help us

Chairman Lankford commented:

- Always appreciate being able to meet with the Board of Education
- Both boards are serving the same people in Stokes County – approximately 47,000 regardless of whether they have children, grandchildren, etc.
- Are serving the same people regardless of the decisions made by the Board of Education and Board of Commissioners
- Some difference between those making the decisions, Board of Commissioners must look at the big picture – entire county with the Board of Education only having to look at the school needs
- Requested Manager Morris to put some factual information together for today's meeting
- Do understand the school board needs, but also live in a reality world, money is just not there
- Have got to figure out ways to do things
- Have got to understand that it takes money in every direction, not just one direction
- Requested Manager Morris to provide school board members a copy of the presentation

Manager Rick Morris presented the following presentation:

- Put some information together regarding the request received from the Board of Education

### **Purpose of the Meeting**

- The purpose of this meeting is to discuss the Stokes County BOE's request for additional funding from the "Hold Harmless" funding Stokes County received from the State of North Carolina that was approved in the State's FY 2013/14 Budget.

### **Background**

- Stokes County received a letter dated August 5, 2013 requesting additional funding from the County based on the receipt of "Hold Harmless" funding that was approved in the State's FY 2013/14 Budget
- The BOCC discussed the request from the BOE at its August 12, 2013 meeting and decided to take no further action on the BOE request, which was reported back to the Superintendent in a letter dated August 14, 2013
- Following the BOCC decision to take no action, the BOE requested a joint meeting with the BOCC to further discuss the funding request
- The BOCC's current plan is to replenish the County's General Fund with the "Hold Harmless" funding that was received from the State
  - This replenishment decision is based on the fact that the County had to use \$ 2,841,946 from its General Fund to balance the FY 2013/14 County Budget



### **Budget Guidance to BOE in Stokes County's Fiscal Year 2013-14 Budget**

- The BOE was allocated \$1,329,942 for capital projects for roofs and other capital needs such as school safety and security items
  - Of the total \$1,329,942 allocation, \$1,000,000 was authorized by the BOCC to come from the BOE's Current Expense Fund Balance, to be used for capital expenditures along with ADM Funding appropriation of \$21,911 for completion of South Stokes Wastewater Project and \$7,731 for other capital expenditures
- The County has also entered into new debt in the amount of \$35,068,911 for new school construction and renovation, which impacts the County's ability to provide any additional funding at this time for capital expenditures
- At budget approval, any significant increase in capital funding for the school system was not anticipated to be available for approximately four more years, which is when the annual \$1 Million debt payment for GO Bonds will end (These GO Bonds financed earlier school construction for West Stokes and Piney Grove plus a combination of classroom additions and media centers at Germanton, Southeastern and Chestnut Grove Schools)
- In addition to the annual \$1,000,000 debt payment from sales tax revenue, the County also kicks in approximately \$500,000 annually from its General Fund for GO Bond debt service

### **State per Pupil Expenditures (2012) – Current Expense- Graph**

- Stokes County ranks in the average category

### **County per Pupil Expenditures (2012) – Current Expense - Graph**

- Stokes County is only \$4 per student below average

### **County's Financial Commitment to School System for Fiscal Year 2013-14**

- Total FY2013/14 County appropriation for schools from all funding sources is \$16,022,703
- Current expense = \$10,211,763
  - Debt Service = \$4,480,998
  - Capital Outlay = \$1,329,942 (includes BOCC budget authorization to spend \$1 Million from BOE's Current Expense Fund Balance)
- Of the \$16,022,703 appropriated \$11,435,954 comes from Ad Valorem taxes (General Fund & 4 cent School Fund), which is 52% of the County's total Ad Valorem tax projection for FY 2013/14
  - This percentage is artificially low in FY 2013/14 because the County had banked lottery funds for the planned new construction; in a normal lottery year, the percentage would increase to approximately 56%

Chairman Rogers confirmed with Manager Morris that the 4 cent tax included the proposed community college and that the school system did not receive the entire 4 cent tax.

Chairman Lankford responded:

- Part of the whole education process includes the early college
- Stokes County has already spent approximately \$4 million for the early college which is included in the school system

### **Overview of BOE Current Expense Fund Balance**

- The School System's Current Expense estimated Fund Balance available on July 1, 2013 (pending final audit approval) was \$2,629,233
  - The BOE used \$1,186,260 of the available Current Expense Fund Balance to balance their FY 2013/14 Budget which left \$1,442,973 available
  - The BOE has designated an additional \$350,000 for a roofing project which leaves \$1,092,973 available in Current Expense Fund Balance
- Per the guidance to the BOE in the FY2013/14 County Budget, the BOCC is already authorized to spend up to \$1,000,000 of the remaining \$1,092,973 in their Current Expense Fund Balance on capital expenditures

### **Summary**

- The "bottom line" is that in FY2013/14, Stokes County budgeted 52% of its total Ad Valorem tax revenue to satisfy school funding requirements, which is a significant amount
- Stokes County ranks slightly below average in "county per pupil" expenditures and need approximately \$3-4 per student to be average in "state per pupil" expenditures
- ADM has decreased significantly over the past few years, while funding requests from the BOE and debt service for new school construction have both continued to increase
- The BOCC will continue to strive for adequate school funding, while prioritizing educational needs against the funding needs of the 25+ departments in the county government that also provide essential services, four of which run 24 hour/7 days a week operations
- A goal of the BOCC will be to compress the remaining 3.5 year period for payoff of the G.O. debt, where financing could be timed to get an early start on capital projects needed by the BOE at that time
- The BOCC decision to replenish the County's General Fund Balance with Hold Harmless funding is partially to ensure adequate funds are available to address the BOE's FY 2014/15 funding needs during another tough budget year

Member Messick questioned Manager Morris why he was using the 2012 data when we know that the current data has decreased?

Manager Morris responded:

- The 2013 data is not available yet
- Do not know what the decrease would be without factual data to back up the information

Manager Morris added to his presentation:

- Heading toward the GO Bonds being paid off in approximately 3.5 years
- Could look at possibly working on a capital project in 2.5 years with the first payment not due until the debt is retired
- Reiterated the County took approximately \$2.8 million from the Fund Balance to balance the County's FY 2013-14 budget
- Reiterated that the County's plan is to use the \$1.1 million Hold Harmless revenue to replenish the Fund Balance to hopefully be able to address the school board's needs next year

- Trying to do everything we can to try to be able to provide adequate funding for school needs

Chairman Lankford commented:

- Talking about possibly using the \$1 million GO retired debt for a payment on new debt of possibly \$12-\$15 million
- Know there are needs
- Know about the roofs
- Also get questions from the general public
- Try to be able to fund the schools' needs and still keep the Fund Balance at a reasonable number (dropped down to approximately 20% this year)
- County our size needs to have approximately 25 to 28 percent Fund Balance
- Feel this could be a best case scenario if the school board could maintain the expensive capital needs for a couple of years
- Could possibly then borrow funding to do the things needed just like past projects at other schools that have been done
- Board has somewhat discussed this option

Commissioner Walker commented:

- Bottom line – wish we could give more to the schools
- Have always supported the schools and tried to address school needs
- Have been times and especially this year that the County went lean on county expenditures to be able fund the schools more
- In recent budgets, cut approximately 17 positions
- In this budget, did not add any of those cut positions back
- Was very tight on capital expenditures
- Only purchased a few vehicles
- The budget year was impacted by the economy
- Probably this budget is like the “Perfect Storm”
- Suffering from a weak economy
- Most property values decreased with the most recent revaluation
- Sales tax is lower than it used to be
- Lost Hold Harmless for the future, but did receive \$1.1 million this year
- Proposed budget was projected to take \$3 million from the County's Fund Balance to balance the budget
- Manager is looking at a challenge next budget year of having to take \$4.2 million from Fund Balance to balance the budget as it is currently structured
- That is approximately 12 cents on the tax rate
- Another year of having to take another \$4 million will leave little or no Fund Balance
- Problem with a low Fund Balance is the County can't incur debt
- There was a time when the County could not finance a \$600,000 Library Renovation Project for the Walnut Cove Public Library
- Do not want to go back there again
- County is up against the wall
- Quote from the manager, “If we really look realistically at the budget, may be looking at cutting whole departments, not positions, whole departments”

- Trying to stretch the dollars as far as they can go
- Trying to work with the Board of Education as best as we can
- Certainly feel like I have done my part to help the schools try to meet the schools' needs
- This is one time that we have to work together
- Going to have to put our heads together in ways we never have before
- It is not a "us" or "them" anymore
- We will be in tough situation if we can't work this out together
- The whole County and kids involved may not do as well if we don't work together
- Very challenging times
- Individuals are not making the money they used to in the past
- Businesses are not doing as well because of a very tight economy
- Have so many challenges
- All have the same goal – better education, better schools, with trying to meet the needs of the 47,000+ people in the county
- The questions is "how"
- Can't recall in my 23-24 years being an elected official a more challenging time
- Can't recall trying to put budgets together that were as tough as what we are looking at today
- Yes, we do have challenges
- Very pleased to hear in detail about the school needs
- Communication and information are both always good
- If anyone needs any answers about the county's finances, can contact the manager
- Feel the Board of Education also needs to know in detail what the County has and is facing
- Wish we could do more
- If the manager or finance departments can present numbers that will work, will keep an open mind

Commissioner Jones commented:

- Not going to reiterate a lot of what Commissioner Walker said because it was a lot of what I was going to say
- 50% of Stokes County population is aging rapidly and not being replaced by younger people
- This aging population is on social security, fixed or limited income which translates to raising taxes to make up the difference
- Gets to be a burden on the general population which you have to be aware
- Have already approved a 4 cent tax for education needs
- Trying to protect the Fund Balance and the credit rating in order to be able borrow money
- Only option would be to borrow the funding
- Need to make sure the credit rating is there when needed
- People don't understand about counties having to maintain a certain Fund Balance, they simply look at the number
- Doing exactly like the school board, using Fund Balance to balance the budget until hopefully the economy turns around

- Need to put our heads together and develop a comprehensive plan so that we can buy ourselves a little time as a community, Board of Education, County and go out and educate the public as to why it is the way it is and what the plan is going to be
- Promised new schools and have made good on those promises
- If we say we will do it, then it will be done
- Keep the faith
- Up against the wall the same as the Board of Education
- Same scenario – just different needs and numbers
- Are all in this boat together

Commissioner Inman commented:

- Most everyone knows my roots in education run really deep
- Have had the honor and pleasure serving the students and parents in the school system for 33 years
- Education is one of my passions
- Longest sitting member of the current Board of Commissioners
- In 2002 when I joined the Board, the County's Fund Balance was 3.5%
- Reiterated Commissioner Walker's comments that the County could not borrow \$600,000 for a library renovation project
- Worked with The Town of Walnut Cove to arrange to be able to make that happen
- Have built the County's Fund Balance by budgeting revenues conservative and putting back dollars
- Have done this without raising taxes (except for the 4 cent tax for education)
- Have approximately a 20% Fund Balance
- Manager Morris has pointed out that the "train wreck" is just around the corner
- A County that continues to take \$4 million from its Fund Balance is not a sustainable model
- 52% of the Ad Valorem taxes is going to education
- County can't continue to rely on Ad Valorem taxes, that is not a sustainable model
- Must have a plan to increase businesses in the County
- Have a manufacturing forum in November which the superintendent will be involved along with community college officials
- Can't keep going back to the taxpayers and raise taxes
- Have been fortunate that the Tax Department has collected at a high rate in a very difficult economy
- Very fortunate that the County has a good Fund Balance
- There are counties across the state that do not have that and had to raise taxes
- Serving for the second year as Chair for the NCACC Public Education Steering Committee
- All counties are facing the same thing – not enough money
- Fighting charter schools and vouchers
- Not saying I am against charter schools or vouchers
- Just pointing out the impact that charters schools and vouchers are having on the school board's budget
- Another thing at the state level, the state at first agreed to fund school construction at 40% of the lottery proceeds
- Ending up at approximately 28% up to last year

- Instead of getting \$180 million statewide, have ended up with getting approximately \$100 million statewide
- This was after those new schools were built
- Had no choice – one school was condemned, one school had 18 mobile units which were unsafe
- Have addressed several issues during the past few years
- State has eliminated the statutory language regarding the lottery
- Legislature can take it all if they choose to
- Instead of getting \$850,000 for school construction, county is getting approximately \$400,000
- Having to make up the difference
- Have had some hard decisions to make
- Will keep an open mind
- Can't go back to the taxpayers asking for more money
- Get asked by citizens why so much funding is being spent on schools
- Working hard to increase business and industry in the county to take some of the burden off the Ad Valorem taxpayer
- A large business could produce 25 jobs
- That is the drive behind the community college – not to hurt or take away from the schools
- Need a long range plan in place to continue to fund schools
- Know that we haven't increased funding, but what will happen if we have to decrease funding?

Commissioner Inman confirmed with Superintendent Mendenhall the status of the following projects (request presented to the Board of Commissioners for Hold Harmless Funding):

- North Stokes High School – retainer wall - done
- Mold remediation – done - turned out to be several schools instead of one
- Germanton and King Elementary Projects are still not funded

Chairman Rogers responded:

- South Stokes High School alone turned into being \$65,000
- Mold remediation specialist noted to the Board of Education that the mold was gone, but would be back unless a new roof was done
- Board of Education took \$350,000 out of the Fund Balance for a new roof at South Stokes High School

Vice Chairman Booth commented:

- Feel my fellow commissioners have already said most of what I was planning on saying
- Fund Balance is very important to a county
- If you don't have an adequate Fund Balance, the county can't borrow funds to do school projects
- Have added approximately \$24 to \$32 million worth of new school/renovation projects during the past three years

- Very glad that could be done
- Hope the estimated 2.5 years, as mentioned by the Manager, can be worked out
- Reduced revenue from the recent revaluation (approximately \$500,000) will be for 4 years (5%) – total loss of \$2 million from Ad Valorem revenue
- Understand about getting new businesses, but it will take time (not a quick fix)
- Have seen businesses leave Stokes County
- Fund Balance will run the County about three months
- Always been taught to save for a rainy day
- Very pleased that the County has increased its Fund Balance
- Agree with fellow commissioners, taking \$3 to \$4 million out each year is not sustainable
- Have already raised taxes for our citizens 4 cents
- Agree with Commissioner Jones regarding the aging population
- Hopefully the retirement of the GO debt will help
- Renovations on the old schools should have been looked at before building new schools
- Have to keep in mind the amount of debt service owed by the County
- Elementary schools do need repairs and renovations
- Hope those can be addressed down the road
- In a tough situation – next year's budget is going to be as tough or possibly tougher than this year
- Continuously pulling from the Fund Balance will not work

Chairman Lankford commented:

- Only received ½ of the Hold Harmless revenue (\$1.1 million) instead of \$2.2 million
- Told by representative that was all the county would be receiving from Hold Harmless
- Very serious condition – loss of students in the schools
- Have lost between 800 to 900 students within the last 5-6 years
- Know that the school system has to send a planning allotment to the state each year which funding is based on

Director Moore responded:

- State used the higher of the projected prior years' two months with the understanding that the school system has to watch that
- The ADM used by the state is approximately 141 less than what we have right now
- State receives the data monthly from school submission

Chairman Lankford continued:

- Know school administration and Board of Education are doing a very good job
- As fellow commissioners have stated, it is a very tough time and in a tough situation
- Don't know of any answers, but know if we put our heads together, we can put a plan together that will benefit Stokes County and its citizens
- In reality, just don't have the funds

Chairman Rogers asked for any closing remarks from the Board of Education.

Member Boles requested Director Burge to respond to putting capital projects off 2-3 years.

Director Burge responded:

- The sand filters at the high schools are mandated
- The state could come back and fine the school board at the tune of \$25,000 a day per site until it is fixed

Member Boles continued:

- Board of Education understands the Fund Balance and the need to maintain a good Fund Balance
- I am not talking about the Fund Balance
- You were blessed with Hold Harmless, \$1.1 million
- All we are asking is money from the Hold Harmless
- Asking for the Board of Commissioners to share some of the Hold Harmless revenue to help fix some of these emergencies
- Will not impact the County's Fund Balance
- Appreciate everything the County has done for the school system
- Going through a very tough time right now
- Need some help

Member Yontz commented:

- Need for both Boards to really take a look at the entire picture
- Keep hearing the amount of approximately \$40 million being spent on school construction
- Look back 8 to 10 years ago
- Why are spending that kind of money?
- Schools were neglected and were not taken care of
- In four years from now, are we going to go through the same cycle because we haven't taken care of our schools
- Ask everyone to take a long hard look at taking the money now to repair or do we rebuild in another 3-4 years

Member Messick commented:

- Would like each commissioner to look at our situation
- Each commissioner has stated that they don't want to take from their Fund Balance, but are asking the Board of Education to take from their Fund Balance
- Reiterated that \$1.1 million was taken this year from the Fund Balance to balance the budget
- Will still have to take funds from the Fund Balance and if much more is taken, will not have enough next year to balance the budget
- What would happen if the school's Fund Balance did get down and the school budget could not be balanced?



Commissioner Inman responded:

- In my opinion, the reason the Board of Education has a Fund Balance is so you don't have to come to us when you have an emergency particularly on current expense and even capital
- Schools are not required to keep a 20% Fund Balance

Member Messick responded:

- Confirmed with Commissioner Inman that the Board of Commissioners would be willing to listen if there was not enough funding in the Fund Balance to balance the budget
- But what really would happen if we didn't have extra funding for emergencies?

Commissioner Inman responded:

- Would always be willing to listen to determine the need – furniture, classroom instruction – have to look at priorities – to me classroom instruction and safety are at the top
- Hear this across the state – commissioners jumping up and down because their school board has a Fund Balance
- To me, Board of Education needs a Fund Balance to keep from coming to the Board of Commissioners monthly
- Counties have to have a Fund Balance

Member Messick responded:

- Board of Education must have a Fund Balance to maintain personnel, emergencies, etc.

Commissioner Jones commented:

- Would like to commend the Board of Education for keeping the Fund Balance in order to be able to use this year to balance the budget
- Realize it has kept off meetings like this
- Have mentioned in earlier meetings about taking on all this new construction when there was so much that needed to be done at existing schools
- Have been in the school system and seen the problems
- Not there when those decisions were made
- Needed to fix those schools before building more
- In this situation together
- Only see two choices
  - Raise taxes
  - Borrow money
- Not sure the County in general could handle another loan
- Don't believe in postponing things, of all things, roofs
- Need to think outside the box
- All in the economic situation together
- Certainly listening to everyone
- Want it fixed today – very frustrated

Member Cox commented:

- Would like to echo what Commissioner Walker said about being an elected official and any other budget being this difficult or challenging
- Had pushed it off by using federal dollars
- Would like to address those comments about fixing things before building new schools
- Don't think that was a wrong decision
- Had few choices when Nancy Reynolds was condemned
- The safety issues with the 18 mobile units at Mount Olive – “no brainer”
- Some of the roofing issues were not issues when these schools were in the planning stages
- Are in the same boat as the Board of Commissioners
- Not sustainable to pull \$1.1 million to balance the budget
- Have already created \$500,000 to \$600,000 hole for next year's budget
- Agree that if projects have to be postponed, educating the public will be extremely important
- Everyone needs to know what we are doing and what our long range plan is
- You talk about economic development and how we can't continue to rely on Ad Valorem taxes to be a sustainable model
- Talk about manufacturing not being a short time fix
- Would like for the Board of Commissioners to put together a steering committee with the Economic Development Director to include all parts of the county especially the Arts Council
- Have been to Hayworth County recently which has all the beauty that Stokes County has
- They have marketed and rebranded themselves and sold themselves to bring people to Hayworth County
- Sometimes you have to spend money to make money
- Stokes County has the nature, beauty, tourism, etc.

Commissioner Jones responded:

- That is in the works
- 10,000 at the Stokes Stomp with people from everywhere
- 100s at the hiking event this past weekend
- Arts Council is working with Economic Development Director
- Hiked up Observation Point yesterday and counted 50 visitors
- It is happening, it is not at the speed we need it to be

Member Cox responded:

- It all ties to education
- Businesses look at the education in a county before deciding to come
- Suggest looking at a Performing Arts Center in the County
- Encourage Director McGee regarding a Performing Arts Center

Chairman Rogers commented:

- Will sum up for the Board of Education
- Board of Education understands the difference between the two Fund Balances

- Board of Education took \$1.1 million from the \$2.4 Fund Balance to balance this year's budget
- Board of Education has been hit with \$150,000 mold remediation and a new roof at South Stokes High School at \$350,000
- People who came to South Stokes' Open House were asking why the biggest classroom is covered with plastic
- \$120,000 was spent at North Stokes for a retaining wall
- Getting ready to be hit from Raleigh for up to \$300,000
- Our Fund Balance is shrinking fast, will soon be there for those monthly meetings asking for funds
- Being told to maintain capital needs
- We are running out of money just to maintain capital needs
- Have unforeseeable emergencies
- Had no choice but to put a new roof at South Stokes to keep the mold from coming back
- Have 4 schools that roofs were put on 1985 – 20 year roofs with being on 28 years
- Can't continue to put band aids over bullet holes
- How many times do we have to pay to fix mold caused by leaky roofs before we have paid for a new roof
- You can remediate the mold, but you still have the problem that caused it – leaky roofs
- Fix it now or pay to fix it later
- Southeastern was a huge renovation project, but it was because it was put off so long
- Never seen a basketball game rained out – it happened at Southeastern
- Mobile classrooms at Lawsonville Elementary had to have something done – kids were falling through the floors
- Overcrowding at King – classrooms in closets
- Built schools – had to
- Roofs at North Stokes, Chestnut, and Germanton Schools all have roof issues that will not go away until the roof is replaced

Commissioner Walker commented:

- Both boards need to work together
- Bottom line – in a few years unless something is done – County will be back in the same situation with a low Fund Balance
- County is in a downward spiral – no one's fault – it is economy driven
- One among many counties that is in the same shape
- If large amounts are taken out again next year from Fund Balance, the percentage will go definitely below 20%
- We both have a challenge
- Doesn't mean we can turn a deaf ear to your request
- My preference would be to have the manager/superintendent and finance directors compare notes based on the information shared today and see if there are any options
- Any way we can help without impairing the County's ability to have our budget intact, would keep an open mind
- Not only look at current needs

- Agree with Commissioner Jones, there needs to be a comprehensive plan that will address school needs
- Have limited resources, can only stretch so far
- Commend the Board of Education on using dollars very well, have tried to be very frugal and has always respected the County's needs
- From the Board of Commissioners, trying to stretch dollars as far as possible
- Was a positive effort on the County's part to keep the school budget the same this year while others were cut
- Take information from today's meeting to see if there are any options

County Manager Morris commented:

- The problem from the Commissioners' side regarding revenue is uncertainty
- My direction is always to budget revenues conservative, as I am sure the Board of Education does
- There are few revenue issues that haven't been discussed today
  - Revaluation- 3 more years
  - Rumors are that the federal government may quit honoring the QSCB and QZAB interest reimbursement
  - Could make the county have to refinance those loans
  - Have already lost funding through sequestration
  - Probably no more Hold Harmless
  - Tobacco buyout settlement ends 2014 – brings \$6 million to Stokes County
  - Tax collection has been great – that could change
  - Largest taxpayer is a coal fired power plant – look at what the administration is doing to the coal industry – could get a call that the plant is closed
- Need to try to reduce the risk
- Don't want to get into a situation where the county can't borrow funding
- County has near term revenue problems
- Schools have near term capital problems

Chairman Lankford expressed appreciation to the Board of Education for the Joint Meeting.

### **Adjournment**

There being no further business to come before the Board, Chairman Lankford entertained a motion to adjourn the Joint Meeting.

Vice Chairman Booth moved to adjourn the Joint Meeting. Commissioner Inman seconded and the motion carried unanimously.

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**Darlene M. Bullins**  
Clerk to the Board

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**Ernest Lankford**  
Chairman