

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
JUNE 11, 2015

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Joint Budget Work Session with the Stokes County Board of Education in the third floor conference room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Thursday, June 11, 2015 at 10:00 am with the following members present:

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

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

Stokes County Board of Education present:
Chairperson Sonya Cox
Vice Chairperson Pat Messick
Becky Boles, Member
Bill Hart, Member

Jamie Yontz, Member (absent)

School Administration present:
Superintendent Ronnie Mendenhall
Assistant Superintendent Tony George
Administrative Assistant Ann Robertson
Lanette Moore, Executive Director of Finance
David Burge, Executive Director of Operations

Chairman Ronda Jones called the Joint Budget Work Session for the Board of County Commissioners (BOCC) to order and welcomed those in attendance.

Chairman Sonya Cox called the Joint Budget Work Session for the Board of Education (BOE) to order.

Chairman Sonya Cox delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Jones opened the meeting by inviting the citizens in attendance to join the Board in the Pledge of Allegiance.

Joint Work Session

Chairman Jones turned the work session over to Chairperson Sonya Cox.

Chairperson Cox commented:

- Appreciate the opportunity to discuss the Board of Education's budget request with the Board of Commissioners
- Feel the Board of Education has presented a very good budget that had very little increase over last year's budget
- At least 11 positions will not be filled this year, this is reflected in the budget that was presented to the BOCC
- Over the last 3 years, the BOE has not filled 40 to 50 positions that resulted from retirements and resignations
- BOE is trying to be good stewards
- Acknowledged the county budget reflects a tax increase to help with salaries for Law Enforcement, Emergency Medical Services and Emergency Communication
- Feel this was a very important thing even though it reflects a tax increase and that the BOE is trying to do the same thing for school system employees
- Last year, after the two boards had met and the school budget was decided on, the state budget came out and the BOE was unable to unfreeze the 4% supplement based on the employees' state increase
- BOE would like to stay at 4%, but base it on what the employees are currently making; if that can't be done, it would not really be a true 4% supplement

Chairperson Cox turned the comments over to Superintendent Mendenhall:

Superintendent Ronnie Mendenhall commented:

- Have appreciated the cooperation between the two boards in the past
- Want to talk about the Current Expense Budget separately from the Capital Budget
- Reiterated the BOE's budget request for current expense totaled \$11,968,530
- County Manager Morris' recommendation was \$11,015,472 which left a difference of \$953,058
- Extended appreciation to Manager Morris for maintaining the county funding as of 2014-15 along with the additional \$60,000 for technology

- Last year's final budget was \$11,502,106 with the BOE putting in \$1,027,343 from their Fund Balance
- This year, with the \$11,968,530 request, the BOE will be putting in \$482,709 from Fund Balance
- Discussed the current expense:
 - BOE feels the current expense budget which was increased by \$466,424 is very reasonable (78% goes for salaries and benefits)
 - Realize, with the current economy, it is difficult for both boards
 - We understand that the additional \$953,058 puts an additional burden on the county; but we desperately need that additional \$953,058
 - BOE does not have the Fund Balance to allocate another \$1 million this upcoming fiscal year
 - Fund Balance has shrunk and shrunk
 - Budget increase is due to state allotment cuts and salary increases projected by Governor McCrory which also increases beginning teaching salary
 - FY 2015-16 Budget maintains only 11.90 local teaching positions
 - Fiscal Year 2012-13 budget had 24.40 local teaching positions
 - Trying to spend funding as wisely as possible
 - Another reason for the increase is the elimination of Hold Harmless used for classified and certified supplement that is based on the 4% of the 2013-14 salaries for employees
 - Supplement helps to retain employees
 - In order to receive some of the federal grant funding, the percentage of highly qualified teachers must be 98%; currently, we are at 99.62%
 - Increase in health benefits, increase in retirement contributions, both of which are controlled by the legislature
 - Currently, there are 97 students who attend charter schools
 - Estimating 110 students to attend charter schools in the FY 2015-16 school year which is another increased cost
 - Department of Public Instruction has projected the ADM will bottom out in the year 2020-2021 and then will start cycling back up with more students
 - The reason we are asking for more funding with a decreasing ADM include:
 - Core courses are based on ADM for the entire school district and not by each individual school
 - Allotments are divided among the 20 schools
 - Music, physical education, ESL and AG are not considered core courses, but have to be funded also
 - A decline in ADM does not necessarily mean a school can decrease the number of employees
 - When possible, vacant positions due to retirement and resignations were not replaced
 - For 2015-16 school year, an estimated 11 teaching positions will not be replaced
 - Allotment right now for teaching positions is 17.5 short
 - Trying to avoid combination classes as much as possible
 - For 2015-16 school year, projected to have between 10 to 15 combination classes

- Ideal situation is to have no combination classes
- Trying to also avoid large class size
- No longer have teacher assistants for all grades K-3, those days are now over
- Only serving kindergarten and some first grade classrooms with teaching assistants
- Graduation rate is the best it has ever been during the last three years and are offering some alternative programs; those programs include Stokes Early College, Meadowbrook Academy and the Day Treatment Program along with Distance Learning
- Not every student is college bound and needs a trade
- Need career and technical education courses
- NC Digital Learning Plan has technology becoming more and more important which expansion increases every year
 - Mandates are given from the state with no funding
 - Infrastructure and instructional administrative support has got to be available
 - Intent of the General Assembly is to transition digital learning aligned with our curriculum in the public schools by 2017
 - Starting a one on one implementation program at North Stokes High School this year
- Employee turnover can cost money down the road; we are also trying to retain employees
 - Currently, there are 995 employees in the school system
 - BOE continues to try to work with the Board of Commissioners
 - BOE is making cuts
 - Since 2012-13 school year, local teaching positions have decreased from 24.4 to 11.90
 - BOE realizes the financial situation for both the school system and the county
 - BOE needs additional funding
- Any additional funding beyond the manager's recommendation will be greatly appreciated and is greatly needed
- At any point and time, the County's financial status improves, the BOE requests the BOCC keep the school system in mind as far as the needs for the school system

Member Boles commented:

- Heading towards 10 years being on the BOE and during that time, the BOE and the BOCC have worked hand in hand to try to develop our young people into future leaders of Stokes County
- Graduated 12 this past weekend from Meadowbrook and the school itself is awesome; these children did not fall between the cracks and could go on to jobs or further education and that is because of the work between the BOE and the county commissioners
- Lot of mandated things coming down from Washington and Raleigh with no funding
- Want to continue to make sure that the students receive the best education we can offer and offer the best technology available/affordable

- Have tried to not burden the county
- Know that both boards are struggling
- We need funding to retain teachers and recruit qualified teachers for our children
- We don't want combination classes
- Hope BOCC will take into consideration the additional funding that is needed
- Lot of things that are totally out of our control

Member Hart commented:

- Have heard Commissioner Inman comment regarding the impact of letting the Fund Balance decrease and the impact it has on the County; that also effects the BOE in the same way
- Teacher ratios in the state from kindergarten through 8th grade are three students above teacher ratio in all of those classes (K-8th is really suffering)
- We are above everything, but high school
- Not only did we lose the teacher assistants, we have larger classes
- Majority of our increases this fiscal year are things that are going to affect our employees
- We have no control of that and have to do that regardless
- If we had 26 students in every Algebra class in Stokes County and lost four students in every school, we still could not lose a teacher
- We are left in the predicament
- If you have a coach with 35 players last year and only had 10 players this year, he still coaches and he still gets paid
- One way to help Economic Development is through helping education; businesses are going to look into the kind of school system there is in Stokes County
- The more you can help us, the better it will be for economic development in Stokes County

Vice Chairperson Messick commented:

- Only funding the BOE receives is from the state, federal, local funding from county commissioners and taxpayers, and lottery funding when it is available
- Each year, the BOE has to pull from their Fund Balance to balance the budget
- Last year, the BOE allocated \$1,027,343 from the Fund Balance
- According to the audit in June, we have \$482,709 in Fund Balance that we are going to have to allocate for the 2015-16 school year
- State mandates are plentiful, but the funding to pay those mandates is fewer and fewer each year
- We are leaving schools short of operating money
- BOE complies each year with requests from state mandates, county manager, and county commissioners
- Have streamlined and cut all unnecessary items from our Budget before submitting it for review
- A lot of people do not realize over the last 3 years, we have lost between 45-50 positions due to funding, looking at losing another 11 teaching positions this year
- We want to avoid as many combinations and overcrowded classes as possible

- We can't retain our personnel unless some local dollars are allocated to help offset what the state has cut
- We have tried as a board and as a school system to retain as many of our personnel as possible; this is one of the biggest concerns for me

Chairperson Cox commented:

- Feel we have done a good job of keeping the proportion of non-instructional staff to students (have not increased non-instructional over the past years)
- We are not adding positions like I see in other counties
- Lot of counties just have a lot more funding and can add a lot of support that we don't have
- Feel we are at a bare minimum
- Not saying that they are not good positions, just saying we are doing the best we can with what we have
- All testing is going to be online next year
- Compliment the county commissioners on their relationship with Wilkes Communications and their efforts to bring the internet to all areas of the county
- Would like to see what grants are available to continue the one to one initiative
- If there is no internet at home, it will be hard to do that
- Some school systems up North have E-Learning Days if school is closed due to bad weather, but you must have internet availability
- Did lift the moratorium in the west district to add more students; unfortunately, not as many students and families took advantage of that as we hoped
- Did add a few students
- Charter Schools are hurting our enrollment
- Need to educate parents about the difference with charter schools so they can make an educated decision for the children

Chairperson Cox turned the meeting back over to Chairman Jones.

Chairman Jones opened the floor for comments from the Board of Commissioners.

Commissioner Inman commented:

- There are a lot of committed people sitting at this table that believe highly in public education
- Public education today is at a crossroads
- Spend a lot of time in Raleigh
- My question is: "How much are we valuing education in Raleigh?"
- Not valued nearly as much as it once was in Raleigh
- Charter schools and home schools are the new way and we are losing a lot of tax dollars with these schools
- Lot of support for charter schools in Raleigh
- Two boards started working together about ten years ago and have done a lot of good things
- Capital does impact what we are doing with current expense

- Roofs that are leaking and need replacing, how do we balance that?
- Lottery has been reduced from 40% to 28%; instead of receiving \$650,000, we are barely getting \$400,000
- There is no doubt the BOE is committed to what they are doing
- Test scores prove that teachers are doing a great job
- Unfortunately, the only place we can go for Fund Balance is Mr. Taxpayer
- Ad Valorem taxes make up a huge part of the county's budget
- How many more times can you go to Mr. Taxpayer and ask for more tax dollars?
- The manager has recommended a tax increase, if this Board raises taxes this year, there is going to be a lot of push back
- Already hearing comments regarding a tax increase
- County has a revenue problem which has been truly pointed out by the County Manager
- Last year, we took \$3 million out of the County Fund Balance to balance the budget
- The year before, it was approximately \$2.8 million
- This year, even if we follow the manager's recommendation, we will be taking another million out of Fund Balance
- If we continue doing that, there will be no more capital projects
- Local Government Commission must approve capital projects; we must have an adequate Fund Balance in order to get approval from the Local Government Commission
- Have to balance current expense if we want to do the next phase of capital improvements
- If you deplete your Fund Balance and you an emergency, you can always come back to this Board
- It all kind of fits together
- This Board has a lot of tough decisions to make
- Can't continue to balance the county budget on the backs of the taxpayers
- Walmart in King will bring in additional sales tax dollar
- Construction is estimated to start in 2016 and it will be 2017 before the county ever sees any sales tax from the operation
- Looking at possible jail expansion that will allow us to house federal inmates; perhaps, that project will pay for itself along with creating additional revenue
- Looking at everything possible
- State has a Sales Tax Fairness Act in the works
- Have had sales tax leaking out of Stokes County to other counties since 2005
- There is some light at the end of the tunnel, but unfortunately, it is not this year and not next year
- Capital debt for some of our schools is coming off in 2017 and that will free up about a million dollars a year
- Going to do all we can, but can't continue pulling all of that money out of the County's Fund Balance
- Definitely have a revenue problem

Commissioner Booth commented:

- Extended appreciation to the BOE for meeting with commissioners to try and hash out some of these deficits that are on both sides
- Schools are important
- Believe in the last four years, commissioners have done their best to improve school facilities – building new schools, adding debt service to build and renovation schools
- Last year, commissioners did \$180,000 more than we were going to do for the schools, as a special appropriation for improvements
- Traveled to see those improvements and saw staff really excited about those improvements
- It all comes down to money
- County continues to look for unfunded state and federal mandates
- Recommended manager's budget has a 6 cent Ad Valorem Tax increase and a 1.5 cent Fire Tax increase
- Debt service payments are up at \$600,000 and the lottery has dropped from 40% to 28%
- That added another \$200,000 this year that the Board will have to come up with
- This year's budget is tough or tougher than any one we have had
- It is tight
- It is tough
- Feel there is a light at the end of the tunnel – for example: Walmart
- That \$1 million off of debt service in a few years will definitely help
- Don't think that we don't hear you, we do
- Going to try to do everything we can

Vice Chairman Walker commented:

- Appreciate sharing dialogue with the BOE
- Information shared is very helpful and added detail to the overall picture
- Your main theme seems to be the need for more money
- The County's main theme is we also need more money
- Have approximately 300 full time employees
- Current fiscal year , have lost 103 full/part employees out of 400 (full and part time) employees
- Thirty-five were from the Sheriff's Department
- Twenty were from EMS
- Others came from Communications, Health Department, DSS, etc.
- Turnover is very expensive
- We are not getting the quality of applicants that we have enjoyed over the years
- County did not receive an application from the last Basic Law Enforcement training class
- This is also a serious issue for the County
- Working hard in this budget year to give some type of salary adjustment

- This year, we are looking at a possible 7.5 tax increase (6 cents Ad Valorem and 1.5 cent fire) along with allocate \$1 million from the County's Fund Balance, which is 3 cents on the tax rate
- At some point, we have to pay the piper that 3 cents worth of Fund Balance
- Projected \$1.8 million will be needed from the Fund Balance next year
- Already getting some pushback from citizens
- Some of our citizens are not having the best of times; they are still trying to recover from this financial soft economy
- Have a lot of agricultural tradition in our county
- Lot of people still farm
- Our farmers were getting approximately \$6 million from the Tobacco Buyout which ended last year
- Still struggling from losing a couple of million dollars a year from Hold Harmless
- Got a reprieve and got it one more year than we thought along with getting half of the amount the next year
- That gave us a little buffer
- All that is gone and we have some really tough decisions to make
- Also have unfunded positions
- Feel the BOE is doing a great job at managing and using the resources available
- Believe there is a high level of cooperation between the two boards and a lot of counties would be envious of the working relationship between the two boards
- Probably one of the toughest years that this county has had recently to get the pieces to fit together
- Going to continue to need continued cooperation
- Mandates are passed from the feds to the state
- The state passes theirs to the local government
- County only has one place to pass mandates on – the taxpayers
- Appreciate the information being brought to the BOCC
- Want the good working relationship between to the two Boards to continue

Commissioner Lankford commented:

- Reminded everyone the BOE and the BOCC represent the same people
- Stokes County has approximately 47,000 people and that is who I serve
- Consider my philosophy to be honest and fair in the decisions I make
- Will always be fair and honest
- Board of County Commissioners is a pro education board and will continue to have a high standard for our education system in Stokes County
- Appreciate the great job everyone is doing
- Would put Stokes County's Education System up against any other system in the state
- Lot of counties have more funding, but quality does not necessarily take money
- Stokes County has a lot of qualified educators and staff members throughout the whole system
- Thanked the BOE for coming
- Commissioners will try to do everything we can to make things fair

Chairman Jones commented:

- Combinations and overcrowded classrooms are tough on teachers and makes it tough on retaining teachers
- Message to everyone is, if we can hang on as a community or family for the next couple of years, I think we will be looking at some much brighter days
- There has been a lot of foundational work done
- There is a lot in the pipeline
- Have to get everyone to understand that we are all doing the best we can
- We need to take the “bull by the horns” and try to get something accomplished
- It is going to take every one of us
- Will try to do everything we can
- Appreciate everything that the BOE is trying to do

Chairman Jones turned the work session back over the Chairperson Cox.

Chairperson Cox turned the work session back over to Superintendent Mendenhall to discuss the Board of Education’s capital budget request.

Superintendent Mendenhall commented:

- BOE has cut the capital budget request down just as far as it could
- Asking for \$1,462,500; county manager recommending \$700,000 which is a difference of \$762,500
- Received \$798,000 last year
- Reminded the BOCC that the BOE had sent them a Five-Year Capital Plan which reflected the needs of \$41,238,750
 - 2015-16 of the 5-year plan reflected a total request of \$6,003,400 which had 63 projects listed in priority order
 - The BOE cut that down from 63 projects to 28 projects and cut it down to \$1,462,500
 - The recommended \$700,00 will cover only the first 18 requested projects
- Had an emergency underground fuel tank removal and replacement at North Stokes High School which no one had no idea was going to happen
 - Estimated cost to cover that emergency is \$125,000
- Detention pond at Piney Grove Middle School is estimated at a cost of \$50,000 which also came out of nowhere
- Our requested projects are all safety needs and mandates
- Must take care of the fuel tank removal at North Stokes and the detention pond at Piney Grove
- Number one roofing project is at Chestnut Grove Middle School
 - A four-year old estimate for that roof replacement was \$900,000; the new estimate is \$1,164,000
 - A picture of that roof was shared with the commissioners

- A roof leak in the main building at Chestnut Grove was reported last week and when the repair company came out to fix the leak, a repairman's leg came all the way through the roof
- We have tried to attack some of the roofing projects at other schools
- We know funding is tight and that it is a very hard time
- We are just asking if there is any way possible for some extra funding for capital
- We are talking about the integrity of the structure of the building
- There is no fat in this capital budget request
- Every item is a necessity
- Very appreciative of the additional \$198,000 in last year's budget

Chairperson Cox requested:

- If the commissioners could just maintain what they allotted last year so some of the other safety needs could be addressed
- Camera systems are desperately needed
- If \$5,000 could be added for a picnic shelter at the Early College so the students would have a place to eat their lunch at least 2/3rds of the school year
- If funding could be added for at least one activity bus
- Reiterated the need to maintain what was allocated last year for capital

Chairperson Cox noted that the Chestnut Grove roofing project is a huge project and that she would be willing to work with commissioners and patch the roof until some of the debt is rolled off as previously mentioned.

Member Boles questioned Executive Director of Operations David Burge if the roof at Chestnut Grove could be patched?

Director Burge responded:

- The roof at Chestnut Grove is going to have to be patched (there are cracks in it)
- One reason the price has increased is because the roof has continued to leak and the substructure is starting to deteriorate
- The roof project is going to have to be a complete tear off, plus deck replacement that is not included in the estimate
- The deck replacement is approximately \$8 a square foot that is not included in the \$1,164,000 estimate
- We can delay some of this, but we need to do the main building roof as soon as possible

Chairperson Cox continued:

- Can break the Chestnut Grove roofing project apart, if commissioners can find the funds to do that
- The state recommends a \$2 to \$3 ratio per square footage every year to maintain schools

- If we did that at \$2.50 a square foot, it would be over \$3 million a year just to do what the state recommends to maintain our schools
- We don't expect that, it is just some food for thought
- We need your help
- We appreciate what you have done and what you are doing
- Also appreciate what the manager is recommending for salaries in the emergency services departments
- Appreciate the BOCC listening to our needs

Chairperson Cox turned the meeting back over to Chairman Jones.

Chairman Jones opened the floor for any last minute comments from the Board of Commissioners.

Vice Chairman Walker commented:

- Based on the information I have heard today, would like for the manager to take another look to see if commissioners could find any more funding for capital needs as the Board continues to work through the budget process

County Manager Rick Morris commented:

- Confirmed with Vice Chairman Walker that he could definitely look for additional funding for school capital needs
- Wanted to point out that the BOE and school administration did a great job on their Five-year Capital Plan
- Felt there was much more visibility on what the BOE was doing and being able to track it
- County department heads are also doing a 5-year plan for their individual department
- Sales tax redistribution bill is still being discussed and there is a revised version coming out today which could be a game changer in this whole discussion
- Questioned if there is an exact number on the ADM projection for 2021?
- Feel the BOE has a logical argument regarding ADM and fixed costs remaining the same; however, there is a tipping point there somewhere and if commissioners could understand how low the ADM would go, before it is triggered some event, it would help commissioners to be able to budget
- There is some number if it goes down to a certain level, you have to make some decisions
- Any information regarding ADM would be helpful

Superintendent Mendenhall responded to Manager Morris that there is no exact number on the ADM projection in 2021 from Department of Public Instruction.

Commissioner Inman commented:

- Have been in Raleigh two days this week and the Senate did roll out its version of the sales tax redistribution bill which they call the 80/20

- They are saying that 80% of the sales tax would be point of origin and 20% would be point of sale – that is a “game changer”
- If that were to happen, we could be coming back to the table looking at a very different situation
- Talk in Raleigh that there could be a comparison on the Sales Tax Redistribution Bill between the House and the Senate

Chairman Jones expressed the Board of Commissioners’ appreciation to the Board of Education for the joint work session.

Chairman Jones recessed the meeting to allow the Board of Education to adjourn their meeting.

Chairman Jones called the work session back to order.

The Board unanimously agreed to continue the budget discussion at tomorrow’s meeting.

Adjournment

There being no further business to come before the Board, Chairman Jones entertained a motion to adjourn the Budget Work Session.

Commissioner Inman moved to adjourn the Budget Work Session. Commissioner Booth seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ronda Jones
Chairman