

Commissioner Jones seconded the motion.

Chairman Mendenhall opened the floor for discussion.

With no discussion, the motion carried unanimously.

FISCAL YEAR 2018-19 BUDGET

Chairman Mendenhall turned the floor over to Interim County Manager Jake Oakley.

Interim County Manager Jake Oakley presented the Fiscal Year 2018-19 Budget Overview to the Stokes County Board of Commissioners.

Interim County Manager Oakley noted that the last Budget Work Session had left off at revaluation.

Interim County Manager Oakley noted that Finance Director Julia Edwards would try and complete the overview today and for the Board to feel free to ask any questions throughout the presentation.

Finance Director Julia Edwards presented the following information to the Board.

Revaluation

Budget increased \$6,768/4.38%

School Current Expense

School current expense has been separated into a sub-fund of General fund showing a tax rate of 31 cents. This will make what the school is funding more transparent. See page 79.

School board requested \$13,374,796 including Poplar Spring operations cost, which is paid from Dedicated Fund of \$94,508. This is a \$2,405,998 increase or 22.13%

Budget recommendation for FY 2018-19 is \$12,145,559

\$94,508 is from the 4 Cent Fund

\$12,051,051 is from 31 cent tax rate and penalties and interest.

Budget total with school's revenue and using \$200,000 fund balance for matching Golden Leaf grant totals \$12,596,059.

As of the BOE 2017 audit their unassigned fund balance was \$396,738. The BOE amended the appropriation from fund balance in the amount of \$141,734 for Art teachers, which was agreed upon by both boards. After this amendment the school's unassigned fund balance is \$255,004.

Vice Chairman Walker commented:

- What were they paying for art teachers before the special arrangement?

Commissioner Lankford responded:

- We did not have any.

Vice Chairman Walker continued:

- I believe when the request was made to fund the art teachers we were told that the state would be funding them this year.
- We were told that if that did not happen we would not be asked to fund them again.
- The state is funding 25% of the amount that we were hoping they would fund.
- Seems like an awkward situation where we were promised something and it took an unexpected turn.
- How much are we actually being asked to fund?

Clerk Shaver responded:

- 114,000.00.

Commissioner Lankford commented:

- This was a one year request.
- In the discussion we had, we were told that if we didn't already have them in place, then the state would not fund them.
- When I went over current expense, the ADM did not produce a lot of teachers like they thought it would.
- That is why they are coming up short.

Chairman Mendenhall commented:

- This is very simple to me.
- I have asked Shannon to pull the minutes from that meeting.
- We were told 3 or 4 times that we would not be asked to fund this, if the state did not come through.

Vice Chairman Walker responded:

- We should not even have to say yes or no to this.
- We should not be put in this position.
- I certainly do not want to take the art teachers away from the kids.

Commissioner Jones commented:

- It has been explained that it will be 25% this year, 50% next year, 75% the third year, and so on until they are fully funded.
- He did not mention asking for the three again.
- I am a big believer in sticking to your word.
- I am also a big believer in economic development, the public school system, and how it is affecting the bigger broader picture.
- For that reason I would be willing to fund those three art teachers.

- It is something to consider.
- This may up the ADM.
- To some people art is that important that they would take their children somewhere else if we do not offer art.

Commissioner Lankford commented:

- We are not going to have to make a choice.
- That will be done by the Board of Education.
- Once they receive their money they will decide what to fund.

Commissioner Booth commented:

- It may not be a request separately like it was last year.
- With a 22. % increase it is in there.
- My main problem is, they had a 20% increase last year, and 22% this year.
- How long can we continue this?
- Are we going to leave that at that request?
- What other department are we allowing to go up at this rate?

Commissioner Jones responded:

- We are not at fault, nor are the Board of Education.
- This is Raleigh.
- They continue to cut, and pass the costs down to the Counties and the School Boards.
- I am not sure when we will say enough is enough.
- The lottery is another prime example, with the 17%.
- It is just ridiculous.

Vice Chairman Walker responded:

- You ask how long this will continue.
- It will happen as long as we will let it.
- They are putting us into an extremely awkward situation.
- We look like the bad guys.
- Whatever we say no to will become the focal point.

Chairman Mendenhall commented:

- The situation is this.
- This is just their request
- Our County Managers recommendation is 1,229,237.00 less than their request.
- We know what they are asking for but this is his recommendation.
- That would be a little over a 10% increase rather than a 22%.

Commissioner Jones commented:

- It just goes back to the state.
- They are pitting us against the Board of Education.

- They are being cut and are trying to pay their costs.
- They have to run these schools.
- We cannot keep doing this.
- I think they are going to have to look at closing another school.
- I really hate to say that.
- They would not continue to come to us with such large increases if they were not up against a wall.

Vice Chairman Walker commented:

- What percent did the county budget increase this year?
- Previous year compared to this year.

Finance Director Julia Edwards responded:

- Our budget decreased 3.10% for this year's budget.
- It increased 6.66% last year.

Vice Chairman Walker continued:

- How can we explain the school budget going up 50 % over the past two years when our budget increased minimally one year and decreased the next.

Commissioner Jones responded:

- They are losing students to charter and home schools.
- Their insurance and operating costs have gone up.
- The state has also withdrawn funds.
- We are not Raleigh's bank account.

Vice Chairman Walker continued:

- For everything that has gone up for the school system, I am sure there is something comparable that has gone up for the county.
- Our insurance has gone up as well.
- We also get hit with unfunded mandates just like the school system.

Commissioner Booth commented:

- We cannot pick up all the cuts.

Interim County Manager Oakley commented:

- We looked at what needed to be cut.
- We cut what you talked about during budget work sessions.
- The utility costs were very high.
- Some items seemed overpriced.
- We cannot line item their budget.
- Just tried to look at the big picture of all the requests together.

Commissioner Jones commented:

- Went to the Francisco open house.

- He told me how much he is saving on utilities.
- The eaves and facial boards had been gapping all those years driving up costs.
- I was astounded at how much he decreased the utilities.
- All I could think was how many more schools in the county could be looked at.
- It is something to consider with the 4 cent tax.
- It is something that could be remedied.
- It was thousands of dollars difference.
- We need to do some sort of energy audit.

Chairman Mendenhall responded:

- I remember when Johnson Controls came in.
- They were a disaster.

Commissioner Booth commented:

- We have 20 or so maintenance people in the schools.
- This is something they need to be looking at.
- The gutters stopped up at Francisco probably caused the leaks.
- Some of these costs can be cut with some maintenance.
- I believe sometimes they ask for more than they want or need to get the amount they want.
- Just like with the 1.2 million dollar roof estimate that ended up costing a little over 400,000.00.
- The bottom line is we have our County Managers recommendation but it is our decision.

Vice Chairman Walker commented:

- My main goal with any budget is to serve the people of the County.
- It would not take many estimates like the roof embedded in a budget to cause this increase.
- Our job is to represent the people of our county.
- I don't think this kind of increase is fair to our citizens or our employees.
- We are squeezing our budget.
- They are going to have to as well.

Chairman Mendenhall commented:

- When I was elected to this position, I promised to be fair.
- I have people who ask me every day about school funding.
- I get it from both sides.

Commissioner Jones commented:

- We have historically given 50% of our Ad Valorem to the schools.
- We have been more than generous.

Commissioner Lankford commented:

- We are right at \$2,000.00 a student.

Commissioner Jones responded:

- You have to remember the fewer students you have the more the cost goes up.

Vice Chairman Walker commented:

- If you add the schools debt service they get more than their 50%.
- This comes out of general fund.
- This is county taxpayer's money going to the schools.
- Every penny that is going to them should be attributed.
- Should be all inclusive.

Commissioner Booth commented:

- The 4 cent fund cannot pay a 3.4 million debt service.
- It only collects 1.5 million per year.
- There is some money built up in there and it should be.
- We are pulling from the balance but that will not always be there.
- The only guarantee is the 1.5.

Chairman Mendenhall commented:

- There is one thing we all need to remember.
- The new 31/31 tax rate recommended by our County Manager will make the allocation of the funds more transparent.
- I like this and want the people of the county to be able to see where their money is going.

Commissioner Booth commented:

- They have lost 138 students to charter schools.
- Why?

Commissioner Jones commented:

- There have been over 600 lost to home schooling over the last several years.

Commissioner Lankford commented:

- I asked this question.
- They could not really give an answer.

County Manager Oakley commented:

- Some are homeschooling for religious reasons, safety, and other reasons.
- Some are just leaving the county.

Commissioner Booth responded:

- Those are all good reasons.

Vice Chairman Walker responded:

- I have a grandchild who recently graduated and was homeschooled.
- I did not agree with it at first.

- The reason for them was none mentioned.
- It was a matter of convenience.

Vice Chairman Walker commented:

- I would like another budget from the school.
- More needs to be cut.
- I would like a 7 to 8% rather than a 10% increase.
- Try to be fair.

Commissioner Booth commented:

- Cut it 200,000.00 and that would bring it down.

Commissioner Lankford commented:

- I cannot agree with that.
- They already have a lot of cutting to do.
- I looked at every item in current expense and see items they will probably have to cut.
- With the higher estimate before that Commissioner Booth was speaking of regarding the roof.
- Part of why that was so off was they anticipated having to replace a lot of rotten boards and that ended up not being the case.

Chairman Mendenhall commented:

- We have hashed this out.
- The great thing about America is everyone has a right to their opinion.
- I cannot see giving them the requested amount.

Commissioner Booth commented:

- The first one is unrealistic.
- I could go lower on the recommended.

Commissioner Jones commented:

- I am on board with the Manager's recommendation.

Commissioner Lankford commented:

- The request is way off.
- I am good with going with the County Manager's recommendation.

Vice Chairman Walker commented:

- I do not like this kind of situation.
- I feel I am being pushed and I am not comfortable with this.
- I would like to see some new numbers.
- This does not feel fair to give this kind of increase.
- I believe our County Manager and Finance Director have worked hard on this.
- I would still like to see some new numbers.

Commissioner Jones commented:

- There seems to be a real trend here.
- The increases just keep coming.
- I can go with the recommendation.
- I would like to see the supplement brought up to the true rate.
- Of course we cannot control that.
- The schools are so important but they sure take a big portion of budget.
- I just do not see how this trend can continue.

Chairman Mendenhall commented:

- Let's come back tomorrow and make a decision on this.
- I believe Commissioner Jones and Lankford are good with the recommendation.
- Commissioner Booth could go lower but could go with the recommendation.
- Vice Chairman Walker would like to see some other numbers.

Vice Chairman Walker commented:

- I just cannot see why the large increases keep coming.

Commissioner Lankford responded:

- I can answer that.
- It is because we have 19 schools for less than 6000 students.
- It costs a lot of money to operate this many schools.
- I said it in the meeting with the Board of Education, they are going to have to make some tough decisions.

Commissioner Booth commented:

- The County Manager has actually cut the county budget.
- Our budget is less.
- I do not understand how we can do this and continue to increase the school budget.

Vice Chairman Walker commented:

- Where do you stand on this Chairman Mendenhall?
- We are at a 2/2.

Chairman Mendenhall commented:

- I am going to go with the County Manager's recommendation.
- They have worked hard on this.

School Capital Outlay and Capital Reserve Fund

Budget recommends funding \$1,880,000 of the requested \$2,016,811. The BOE sales tax funds are restricted by state statute to go towards debt payment and/or capital. These funds are separate from the Current Expense in General Fund.

Estimated fund balance at the end of 06/30/18 is \$25,125
Sales tax revenue for schools on a positive trend line.
Debt has been retired in FY 2017-18, which frees up funds for capital outlay
Capital expenditure requests for FY 2018/19 are detailed on page 83 of your budget.

Chairman Mendenhall commented:

- I have received comments from the Board of Education that they are extremely satisfied with our County Manager's recommendation for capital outlay.

Chairman Mendenhall asks for any further discussion.

Vice Chairman Walker commented:

- Just a little house cleaning.
- This is not in regards to schools.
- Spoke with Ronda Outlaw with Cardinal and they are very adamant that we cannot do what has been done with the 160,000.00 in returning it to general fund.
- We might need to get Ty to look at this.
- I did some reading and it looks like any leftover amount is to be kept in a fund and returned to the County upon the County's request.
- I want to do what is right.

Finance Director Julia Edwards responded:

- We have the fund.
- You have the discretion to decide how those funds are used.
- If the money is not used it can be put back into the fund or used to fund

County Manager Oakley commented:

- Ms. Outlaw does understand that this money is staying in the M.O.E. fund?

Vice Chairman Walker responded:

- I may have misinformed her.
- Might need to be some cleaning up to do on that.
- I thought it was going back into our general fund.

Finance Director Julia Edwards responded:

- Absolutely not.
- It is not in our general fund.
- It is in a fund by itself.
- It is being used only for M.O.E.
- It is that general fund.

Commissioner Booth commented:

- With the schools budget, I would like to see money added to their general fund.
- They are going to need a fund balance to work off of.

- They will have 55,000.00 in that after they use the 200,000.00 for the matching Golden Leaf grant.

Finance Director Julia Edwards responded:

- This is per their audit.
- I do not know exactly what is in their budget.

Vice Chairman Walker commented:

- I am still in an information gathering phase.
- I would still like to see our County Manager go back through the school budget.

Chairman Mendenhall responded:

- If our County Manager can take a look at this and come back to us.

Commissioner Jones commented:

- If it is truly 55,000, I can see increasing that.
- I do not want to put a lot in there.
- Would rather they come to us for additional requests.

Commissioner Lankford commented:

- I believe there will be more than 55,000.00 in their fund balance.

Commissioner Booth commented:

- This in no different than last year.
- We increased the fund balance after the budget.
- I am just saying do it now instead of later.

Vice Chairman Walker commented:

- I would like to pick back up tomorrow with the Register of Deeds office.
- We had said I believe at the last meeting we would discuss that a little more.

Adjournment

There being no further business to come before the Board, Chairman Mendenhall entertained a motion to adjourn the meeting.

Commissioner Jones moved to adjourn the meeting.

Vice Chairman Walker seconded and the motion carried unanimously.

Shannon Shaver
Clerk to the Board

Ronnie Mendenhall
Chairman