

**MINUTES
JOINT MEETING
OF THE
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
&
TRANSYLVANIA COUNTY BOARD OF EDUCATION
May 14, 2013 – Rogow Room, Transylvania County Library**

The Transylvania County Board of Commissioners met jointly with the Transylvania County Board of Education on Tuesday, May 14, 2013 in the Rogow Room at the Transylvania County Library. The purpose of the meeting was to review and discuss the needs of the Transylvania County School System.

Commissioners present were Vice-Chairman Larry Chapman, Jason Chappell, Chairman Mike Hawkins, Daryle Hogsed and Page Lemel. Commissioner Hogsed was late to the meeting due to work commitments. Also present were County Manager Artie Wilson, Finance Director Gay Poor, and Clerk to the Board Trisha Hogan.

Board of Education members present were Sue Fox, Ron Kiviniemi, Chairman Tawny McCoy, Vice-Chairman Cindy Petit, and Mike Rogers. Also present were Superintendent Jeff McDaris, Finance Director Norris Barger, and Assistant Jenny Hunter.

Media: *The Transylvania Times* – Jeremiah Reed

There were approximately 30 people in the audience.

WELCOME/INTRODUCTION/CALL TO ORDER

Chairman Mike Hawkins presiding called the Board of Commissioners meeting to order at 7:05 p.m. and welcomed everyone to the meeting. He introduced the members of the Board of Commissioners and staff in attendance. Chairman Hawkins explained the purpose of the meeting was to receive the proposed budget from Transylvania County Schools.

Chairman Tawny McCoy presiding called the Board of Education meeting to order at 7:06 p.m. and welcomed everyone to the meeting as well. She introduced the members of the Board of Education and staff in attendance.

PRESENTATION OF BUDGET REQUESTS

The County Manager and Superintendent McDaris jointly presented the budget request. They first provided a brief history about meetings between members of both Boards and staff to reach a consensus on the budget request. The Boards also held a joint meeting on March 5, 2013 to discuss the needs of the school system and soon thereafter members and staff took a tour of some of the schools.

Current Expense

The additional request for current expense spending for FY 2014 is \$509,333. Both the Manager and Dr. McDaris were in agreement as to the recommendation. The increase consists of the following components:

FY 2014 Anticipated Budget Changes

- | | |
|--|-----------|
| 1. Retirement increase (14.23% to 14.59%)-state mandate | \$ 17,001 |
| 2. Health insurance increase (6% to \$5,504)-state mandate | 28,962 |

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3. Unemployment insurance rate change-state mandate	26,500
4. TC Henderson SRO	52,702
5. Increase in state discretionary reduction-state mandate	39,200
6. 2% COLA increase-state mandate	75,506
7. Additional state teacher allotment (1.5 FTE)	(82,780)
8. Additional state CTE teacher allotment (5 MOE)	(20,767)
9. Additional state central office allotment (ADM)	(8,463)
10. Additional state non-instructional support allotment (ADM)	(14,302)
11. BES Asst. Principal	71,903
12. Appropriated fund balance (partially restore FY 2013 cut)	<u>323,871</u>
	509,333

Necessary increase in County appropriation 5.5%

The Manager further explained the fund balance appropriation. The difference in the request from FY 2013 to FY 2014 is an additional \$509,333 for a total request of \$10,899,640. For the last couple of years both Boards have discussed drawing down the school's fund balance since the County is responsible for many of the school's needs. As of June 30, 2012, the Board of Education had a fund balance total of \$3.1 million. The Board of Education used \$1 million for FY 2013, leaving a balance of \$2.1 million. For FY 2014, the Board of Education intends to use almost another \$1 million from fund balance. This would leave a balance of \$1.2 million at the end of June 2014. Should they use another \$800,000 in FY 2015, the balance at the end of that fiscal year would total roughly \$400,000. The Board of Education is able to maintain a consistent level of funding by using its fund balance.

Capital

In light of the mass shootings in Sandy Hook Elementary School in Newtown, CT, school officials have a great deal of concern about how to address school safety. Dr. McDaris discussed this issue at length and talked about the possibility of getting outside expert advice. Dr. McDaris also consulted with the Sheriff's Office. As such, a significant increase in capital spending was requested for security purposes. The Manager first suggested a capital budget of \$1.5 million, a 50% increase over the prior year. After further review, the Manager offered a capital budget in the amount of \$1.6 million and suggested the same amount over a two year period, which included their request for activity buses, but excluded relocating offices at Brevard Elementary School. The Board of Education discussed the Manager's recommendations in an open meeting and voted on a request to the County in capital spending in the amount of \$1.8 million. The difference in their request and the Manager's recommendation is \$200,000. The Manager's recommendation reduced the amount spent on security issues until there is further study completed on how best to address the concerns.

The total request in capital spending by the Board of Education is \$2.4 million. The request includes \$1.8 million in County appropriation, \$500,000 in lottery proceeds, small amounts of funds from sales tax rebates and interest earned, and a drawdown of fund balance of approximately \$100,000. Again, the Manager's recommendation is \$1.6 million in County appropriations, bringing the total amount for capital down to \$2.2 million. For both Boards' information, Dr. McDaris reviewed the estimated lottery balance and estimated fund balance through June 30, 2015 should there be a consistent drawdown of funds for the next two years. Dr. McDaris expressed concern about these fund balances going any lower than the estimated amounts at the end of June 2015 because these funds are used to cover emergency repairs.

QUESTIONS TO STAFF/BUDGET DISCUSSION

Commissioner Lemel compared the FY 2013 and FY 2014 capital lists submitted by the Board of Education and she noted there were several of the same items on both lists. She said there seems to be so

many recurring items that there is not much left in terms of funding for capital improvements. Commissioner Lemel expressed concern about there not being enough money to fund the capital needs short of a bond referendum, the last of which was issued in 1998. Commissioner Lemel noted that a large expenditure is system-wide program expenditures and she wondered what those were and which ones were recurring. Mr. Barger informed Commissioners that the system-wide program expenditures for FY 2013 were a one-line item figure that included all those line items that are listed as recurring this year. The reason for the difference is the Board of Education cut furniture and equipment allotments to the schools by one-half. The schools are in need of desks and chairs and items of such nature. Also cut were science and CTE equipment. The FY 2014 request would increase the level of spending for these items to what it was three years ago.

Commissioner Chapman asked when the Board of Education expects to learn if the 2% COLA will be included in the State budget. Dr. McDaris said the State Legislature is not yet close to passing a budget. Representative Chris Whitmire keeps him up-to-date on what is going on in Raleigh. He was recently informed that the NC General Assembly intends to wrap up business by June 30. Being that the Governor's Office, the House and the Senate are ruled by the same political party, an agreement may be reached on the budget earlier than in past years.

Commissioner Lemel commented that from her dealings with teachers and principals, one of the biggest issues is keeping teacher supplements competitive with surrounding counties. It is her understanding that for several years Transylvania County was competitive with surrounding counties and was leading in this area at one point. It is also her understanding that there used to be a schedule that would eventually get teachers to a 10% supplement level. Commissioner Lemel inquired about the current schedule and how competitive Transylvania County currently is with surrounding counties. Dr. McDaris stated that the current supplement rate is 7.44% and it has been at this level for the last four years. There was a plan in place to reach the 10% level this year. With the State and County budget challenges and in order to ensure positions were saved, the Board of Education did not pursue increasing the supplements. As a result, the Board of Education did not have to lay off any teachers or teacher assistants and was able to absorb costs through attrition and retirements. They also did not have to make cuts to art, band or athletic programs. Many counties were not as fortunate. Dr. McDaris continues to support the 10% level and even higher if possible. He noted that the Governor's budget proposal includes additional teachers but at the expense of cutting a number of teacher assistants, another reason the Board of Education was amicable to suspending the supplement schedule. Dr. McDaris noted that it is somewhat expensive to live in Transylvania County and because of that there are a large number of teachers that commute from surrounding areas. Teacher supplements for Buncombe County and the City of Asheville are higher than Transylvania County; Henderson County is slightly above.

Commissioner Lemel asked if teachers had received any salary increase in the last four to five years and when the last salary study was completed for teachers, teacher assistants, school administrators, etc. Dr. McDaris said teachers received a 1.5% salary increase last year. He informed Commissioners that there has not been an official salary study since he became Superintendent. The Board of Education uses a guide provided by the State to set salary rates. There is no salary schedule for teacher assistants. The State gives school systems a pot of money and they divide it how they see fit. Teachers have a specific salary schedule and most other positions fall under a salary range.

Commissioner Lemel asked questions pertaining to school safety. One concern she has is the cost to add one school resource officer and the fact that there are now school resource officers in all nine schools. She asked if there was a memorandum of understanding in place about the expectation for these positions. Furthermore, she wondered if there was a description of how the program works and if conversations have been had with the Sheriff about his expectations, knowing that school resource officers could have to leave on a call acting as a first responder if necessary. Dr. McDaris said that from the school system's

standpoint, they look at the position as an officer at the school, not just as law enforcement for the County. School resource officers deal with a number of issues with students at each school and they complete additional training to learn how to deal with those issues. These officers are selected on the basis of their ability to relate to students and their understanding of school safety and are assigned by the Sheriff. The Board of Education is currently working on the development of a memorandum of agreement with the Sheriff and the Manager.

Commissioner Lemel asked if there was an existing school security plan in place. Dr. McDaris said there was an assessment of school security needs completed in 2005. The school system also participates in “tabletop” exercises and live training. They also have completed an analysis of the area around each school. Updates are made to the 2005 security assessment each year.

Commissioner Lemel asked if equipment replacement plans were completed internally or if outside expertise was used. Dr. McDaris informed her that the school system contracts with mechanical assistance services to provide analysis on equipment and advise on the age, condition and replacement schedules.

Commissioner Lemel commented on the budget adjustments from the current expense budget submitted at the March 5 joint meeting and the updated current expense budget from this meeting and said it appears some positions may be cut. Dr. McDaris said the deductions in current spending reflect additional positions allotted by the State, which means there is no local request for those positions and no further drawdown from fund balance.

Commissioner Chapman agreed that it is expensive to live in Transylvania County and he does not expect that to change because the County is looking at a \$4 million deficit and the Board of Education’s request is a large increase as well. He asked the Board of Education if they supported their budget request strongly enough to recommend a tax increase on citizens. Chairman McCoy responded to his question. She said it is not the Board of Education’s responsibility to decide upon how the County receives its revenues; but rather to submit a budget recommendation to the Board of Commissioners for consideration. She said the Board of Education has submitted a budget request based on their needs. Commissioner Chapman emphasized to everyone the tough decisions that Commissioners face and that they must be willing to raise taxes or make cuts in services. He expressed support for the increase in current spending but was greatly concerned about the increase in capital spending, especially since a large part of it is recurring. He also noted that the Transylvania County School System is one of very few in the State that has school resource officers in each school. He is supportive of security in schools as long as it is effective. Commissioner Chapman feels the County is in a serious financial situation.

Board of Education member Ron Kiviniemi responded to Commissioner Chapman’s comments and concerns about the large increase in capital spending. He said the increase gets the school system back to the same level of capital funding it received in 2009. For many years, the County allotted an average of \$1.9 million annually in capital. For the past four years, the County allotted almost \$1 million annually, meaning they are operating at a deficit in terms of capital needs. The level requested does not allow for major capital improvements, as Commissioner Lemel mentioned earlier. He believes it is time to look at issuing another bond referendum. Commissioner Lemel added that federal and State spending for schools is ever-changing and sometimes the school system must look for the County to make up any difference. For the benefit of the public, Commissioner Lemel stated that both the County and the school system have similar sized overall budgets and that one third of the County’s budget is allocated to the school system. Dr. McDaris noted that additional cuts are expected as a result of sequestration at the federal government level.

Chairman Hawkins asked Dr. McDaris to explain how it is sometimes difficult to compare the Transylvania County School System with surrounding counties because they may qualify for other various sources of funding. Dr. McDaris explained that there are other sources of funding from the State that have been a continual frustration for Transylvania County. For example, Transylvania County does not qualify for additional funding from low-wealth or small-school funds. There are other school systems in the State that receive monies simply by being low performing. There are several variables that determine the funding formulas, such as property tax rates, income levels, etc. Dr. McDaris noted that Representative Whitmire and other representatives have joined together in an attempt to add four counties into the low-wealth funding formula. He is unsure how that might affect Transylvania County. These representatives are also working to change funding formulas to better reflect counties' financial situations which could potentially bring additional revenues to the Transylvania County School System.

Chairman Hawkins noted that Transylvania County ranks at the top of the list among peer counties in terms of the proportion of the total budget allocated to school systems. He supported efforts to gain access to additional sources of funding.

Chairman Hawkins inquired about the danger of using fund balance to fund operational expenses. The school's intent to use lottery funds and fund balance appears to include recurring expenses and he wondered what happens two years from now when both fund balances reach low levels. The Manager said at that time the appropriation from the County must increase. He is working with Dr. McDaris to determine what that might mean for the County because continuing to draw down fund balance is not sustainable.

Chairman Hawkins asked if there is a plan to include increasing teacher supplements in future budgets. The Manager said the plan is to possibly continue with the schedule increase in FY 2015. Responding to Commissioner Lemel, Mr. Barger said ½% in teacher supplements is approximately \$94,000 with benefits.

Commissioner Chappell asked about the percentage of students currently receiving free or reduced lunch. Dr. McDaris said approximately 62% of students receive free or reduced lunches. He noted that the federal government does not reimburse the full cost of a plate.

Commissioner Chappell asked about the number of teachers that are funded locally. Mr. Barger stated there are 24 regular classroom teachers and some additional exceptional children teachers. Commissioner Chappell pointed out that the State and federal governments do not adequately fund schools and counties must pick up the cost.

Commissioner Chappell also asked if there were any anticipated changes or unfunded mandates in terms of the curriculum is concerned. Dr. McDaris said this is always a concern because different funding streams have different strings attached. He is unaware of any additional changes coming from the State in the upcoming budget.

Commissioner Hogsed asked what the school system's entire budget totaled for FY 2013, the projected budget for FY 2014, and the number of students enrolled in Transylvania County Schools. Mr. Barger stated the FY 2013 budget was roughly \$34 million, not including child nutrition. He is unsure of the projections for FY 2014 because the federal and State allotments have not been finalized. The student enrollment for FY 2013 totaled 3,584, which is up 29 students from the previous year.

Commissioner Hogsed asked for further explanation of an item in current spending. Item #12 is listed as appropriated fund balance in the amount of \$323,871 to partially restore the FY 2013 cuts. He was confused about this particular appropriation since the difference between the FY 2012 and FY 2013

County appropriations totaled just under \$184,000. The Manager said the difference comes from the fact that the Board of Education is not drawing down as much fund balance as they did in FY 2013.

Commissioner Hogsed responded to comments made by Mr. Kiviniemi. He said the County's budget has not been at the level that Commissioners would have preferred since the downturn in the economy. The Board of Education responded by agreeing to a reduction in capital spending in order to lessen the blow to the County. The County has been operating in a deficit position for a couple of years. Commissioner Hogsed believes the County has done as much as possible and sometimes more to keep education funding at a decent level and County funding appropriations have remained at the top of the list when compared to other counties.

Commissioner Chapman asked the Manager to provide an update on the projected deficit from the County. The Manager explained that the deficit has been reduced from \$4 million to approximately \$3.1-3.2 million. He said staff continues to look for reductions. The County budget proposal will be presented to Commissioners on May 28.

Chairman Hawkins asked if there was the possibility of a compromise between the Manager's recommendation and the Board of Education's request on capital spending. Dr. McDaris feels comfortable recommending to the Board of Education a two-year capital budget of \$1.8 million each year. The Manager recommended to Commissioners a two-year capital budget of \$1.6 million each year. The Manager recognized there were security needs but he and Dr. McDaris disagreed on how to best to go about it. The Manager suggested an expert to analyze the changes that should be made in terms of relocating offices, etc. The Manager is supportive of implementing security measures but not at the level of spending recommended by the Board of Education. Dr. McDaris said school security is very high on the priority list and the proposed changes were affirmed by the Sheriff. He feels it is a logical move to relocate some offices in order to achieve better security. Many of the schools were designed when security was not an issue. Schools today are constructed with security in mind.

Board of Education member Mike Rogers stated that the Board of Education is simply asking Commissioners to consider bringing the schools back up to the level of spending of FY 2008-2009 for capital. Almost \$1 million is recurring each year. A large amount is allotted toward roof repairs, paving projects, and HVAC repairs. These projects total \$1.7 million and do not provide curb appeal, but help to address significant needs across all the schools. Mr. Rogers informed Commissioners there was a master plan completed on Brevard Elementary School in 2009 by an architectural firm that recommended the relocation of offices. He believes this is the best option for dealing with security issues at the school and for the safety of the students. Mr. Rogers also expressed concern about hyperinflation because inflation has increased by 8.5% over the last four years; however he believes the economy is turning around because new commercial construction is at its highest rate in five years. Mr. Rogers believes now is the best opportunity to get work done as cheaply as possible. Although material prices have not decreased, labor rates have. Once new projects begin, he expects both these costs to rise.

Chairman Hawkins said it is imperative for both Boards to look at the long term needs in a systematic way. The County is planning to conduct strategic planning for the next 10 years and he hopes the Board of Education will be included in the planning process.

Chairman McCoy thanked Commissioners for the open discussion over the last few months so that the County can better understand their needs. The Board of Education has been studying these figures for quite some time.

Commissioner Hogsed asked the Manager to prepare a list of the County's total revenues from FY 2001 to current and the percentage increase of those revenues per year.

Responding to Chairman Hawkins, Commissioners were not ready to take a vote on the Board of Education's budget proposal at this meeting. Chairman Hawkins commented that Commissioners are very conscientious of the needs of the school system and have been dutiful in trying to understand all the issues.

Commissioner Chapman spoke to the public and said the Board of Commissioners needs to hear from them because this is their tax dollars being spent. He asked if they supported a tax increase to fund the schools and government services. Although the County can use fund balance, it is not sustainable for the long term. The County currently has one of the lowest tax rates in the State and the County has had no tax increase in several years. One third of the County's budget goes to fund the school system and he wants to ensure the majority of the money goes into the classroom.

Board of Education member Cindy Petit spoke to the public and commented that the capital needs list provided to Commissioners should be no surprise. Most of the items have been on previous years' budget requests. She hoped the Boards would not argue over a \$200,000 difference in capital spending because the safety and security of the students should be a priority. While she understands the County's budget situation, she said the Board of Education has continued to delay critical school needs. Therefore, she believes she can justify the need for the spending to any citizen in Transylvania County.

PUBLIC COMMENT

Kim Provost: Ms. Provost has a son in Transylvania County Schools. He has been talking to her about some of the needs so she agreed with Ms. Petit's statements. She supported a tax increase to show that students are a priority and said that an investment in students will benefit the County overall.

Marty Griffin: Mr. Griffin expressed how proud he was to live in Transylvania County where he could sit in a joint meeting where both Boards are respectful of each other and where the number one priority is the students.

ADJOURNMENT

There being no further business to come before the Board of Commissioners, **Commissioner Chappell moved to adjourn the meeting, seconded by Commissioner Lemel and unanimously carried.**

There being no further business to come before the Board of Education, **Mr. Kiviniemi moved to adjourn the meeting, seconded by Ms. Petit and unanimously carried.**

Mike Hawkins, Chair
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board

May 14, 2013