

**Minutes
Transylvania County Board of Education &
Transylvania County Board of Commissioners
May 14, 2013**

JOINT MEETING

Welcome & Introduction
Call to Order
Presentation of Budget Requests
Questions to Staff
Budget Discussion
Public Comment
Adjournment

The Transylvania County Board of Education and the Transylvania County Board of Commissioners met in joint session at 7:00 p.m. on May 14, 2013 in the Rogow Room of the Transylvania County Library. In addition to approximately 30 guests, the following board members and staff were in attendance:

BOARD OF EDUCATION

Tawny McCoy, Chair
Cindy Petit, Vice Chair
Sue Fox
Ron Kiviniemi
Mike Rogers
Dr. Jeff McDaris, Superintendent of Schools
Norris Barger, Director of Business Services
Jenny Hunter, Administrative Assistant

BOARD OF COMMISSIONERS

Mike Hawkins, Chair
Larry Chapman, Vice Chair
Jason Chappell
Daryle Hogsed
Page Lemel
Artie Wilson, County Manager
Gay Poor, County Finance Director
Trisha Hogan, Clerk to the Board

WELCOME/CALL TO ORDER/INTRODUCTIONS

Chairman Hawkins and Chairman McCoy welcomed everyone to the meeting. Mr. Rogers gave the invocation and Mr. Hawkins led in the Pledge of Allegiance. Chairman Hawkins and Chairman McCoy called the respective boards to order and introduced their board members and staff.

PRESENTATION OF BUDGET REQUESTS

Mr. Wilson and Dr. McDaris gave a review of the budget discussions that have been held to date and an update on where the Boards are now regarding the school system's FY14 budget. Mr. Wilson reported that both he and Dr. McDaris could recommend the Board of Education's request for an increase of \$509,333 in current expense as shown below:

FY14 Anticipated Budget Changes		Increase
1	Retirement increase (14.23% to 14.59%) <i>state mandate</i>	\$17,001
2	Health insurance increase (6% to \$5,504) <i>state mandate</i>	28,962
3	Unemployment insurance rate change <i>state mandate</i>	26,500
4	T. C. Henderson SRO	52,702
5	Increase in state discretionary reduction <i>state mandate</i>	39,200

6	2% COLA increase <i>state mandate</i>	75,506
7	Add'l state teacher allotment (1.5 FTE)	(82,780)
8	Add'l state CTE teacher allotment (5 MOE)	(20,767)
9	Add'l state central office allotment (ADM)	(8,463)
10	Add'l state non-instructional support allotment (ADM)	(14,302)
11	BES Assistant Principal	71,903
12	Appropriated fund balance (partially restore FY13 cut)	323,871
	TOTAL	\$509,333
	Necessary increase in county appropriation	5.5%

Dr. McDaris clarified that the 2% COLA is not a certainty at this time and is included in the request as a placeholder in the event that legislators do approve a cost-of-living increase for teachers and state employees.

Mr. Wilson presented a projection showing how the school board's fund balance could be significantly depleted over the next three years from a starting balance of \$3.1 million on June 30, 2012 to less than \$400,000 by June 30, 2015, based on the possibility of having to draw down funds for operational expenditures in the absence of other funding.

Dr. McDaris reported that the shooting incident at Sandy Hook Elementary School has heightened concerns about school security. These concerns are reflected in the school board's proposed improvements to front offices and other security measures that are included in the capital outlay request. Mr. Wilson noted there had been some discussion about getting expert advice, especially when it comes to moving offices and other security projects. Dr. McDaris reported that there had been consultation with the sheriff's department regarding security improvements.

Mr. Wilson reported that the first question raised during capital discussions was what the priority list would look like with a \$1.5 million appropriation from the county. During further discussion, a look at \$1.6 million, which would include activity buses but not the moving of front offices at Brevard Elementary School, was considered. Also discussed was the possibility of locking in to an agreement of \$1.6 million for a two-year period. Mr. Wilson stated that both he and the superintendent would support having a two-year agreement to improve planning for both boards, but have not agreed upon an amount. On May 7, the Board of Education discussed their concerns about school security and major capital needs and voted unanimously to request an increase of \$509,333 in current expense and \$1.8 million in capital for the 2013-2014 year. The difference in the requested capital amount and the proposed capital amount is \$200,000.

Dr. McDaris reviewed the Board of Education's lottery fund balance and reported that the Board has made a commitment to draw down these funds as possible to help meet capital needs. Mr. Wilson stated that there are clearly significant needs in the schools and that much discussion regarding the priorities of those needs has taken place.

QUESTIONS TO STAFF

Commissioner Lemel stated that she was struck by the difference between the FY13 capital request and the FY14 capital list. She noted that with so many needs and recurring items that even if the county were able to provide \$1.8 million, most of that amount would have to go toward maintenance and repairs, with little left over for improvements. She stated that she did not know how the county would be able to find enough money to address all of the school system's needs, and pointed out that a bond issue could still be a few years away. Dr. McDaris

reported that the county used to have a bond issue every 10 years. The last bond issue was in 1998.

Mrs. Lemel asked about an increase in the instructional line item. Mr. Barger reported that for the last two years the Board had cut its classroom furniture and equipment budget in half in order to try and save positions. Now there is a woeful need to replace broken and worn out furniture, and the FY14 request would merely restore that funding to the level of three years ago.

Commissioner Chapman asked when the Board would have a firm idea about the 2% COLA. Dr. McDaris reported that neither the House nor Senate budget proposals have come in yet, however, they have heard that the Legislature would like to be finished by June 30. The Governor's budget proposal contains a recommendation for an increase of 1.72% COLA. Dr. McDaris observed that the Governor's proposal is traditionally dead on arrival, though it could gain traction this year since all three branches of government are from the same party.

Commissioner Lemel stated that from her conversations with teachers and principals, one of the biggest concerns is keeping the local teacher supplement competitive with surrounding counties. She requested an update on the status of Transylvania's teacher supplements.

Dr. McDaris reported that the local teacher supplement is currently frozen at 7.44%. He explained that when local and state budgets were hit by the economic recession, Transylvania's teacher supplement schedule was placed on hiatus in order to help save positions and programs. While other counties did different things, Transylvania did not lay off any teachers or teacher assistants or cut programs such as sports or band. Had it been financially possible to continue the yearly increases as planned, teachers would be receiving a 10% supplement by now. Dr. McDaris stated that he would like to be able to re-implement the supplement schedule as our teachers certainly deserve 10% or more. He gave a reminder that the governor's budget proposal calls for cutting teacher assistant positions. He spoke about the high cost of living in Transylvania County, and reported that many of our teachers find it more affordable to live in the Etowah and Mills River areas, which are central to four school districts—another reason to stay competitive in teacher supplements.

Mrs. Lemel asked whether teachers had received any recent pay raises and when the last salary study for teachers and administrators had been done. Dr. McDaris reported the state had given a 1.2% increase last year, the first such increase in several years. He reported there has not been a salary study done while he has been superintendent. He explained that teachers and administrators are paid according to the North Carolina state salary schedule. Other positions are paid according to local salary ranges.

Commissioner Lemel commented on the cost of adding one school resource officer for the schools. She asked if there was a formal agreement or memorandum of understanding in place that governs the SRO program's duties and expectations and interactions at different grade levels. Dr. McDaris reported that there has not been a written agreement in the past, and that he and Sheriff Mahoney are working on one. He noted that law enforcement officers who become SROs receive formal training, and that care is taken to match individual demeanors with the appropriate grade levels. He noted that from the school system's standpoint, school resource officers are invaluable assets. Merely having the SRO's vehicle parked in front of a school can serve as a valuable deterrent. In addition to providing security, the SRO assists with a wide range of child and family issues such as domestic abuse, child abuse, homelessness, truancy, custody issues, and trespassing, to name a few.

Mrs. Lemel asked if there are school safety plans and how old they are. Dr. McDaris reported that each school has a comprehensive safety plan in place that is updated every year. The schools perform tabletop activities and training exercises with local law enforcement, emergency management services, and other agencies. Analysis of the areas surrounding the schools is also being done.

Mrs. Lemel asked how the HVAC and other systems are kept up, whether in-house or contracted. Dr. McDaris reported that the school system has contracted with Mechanical Systems, Inc., for a number of years to perform system analysis, service and maintenance. He noted that Mechanical Systems provides excellent service, although much of our equipment is so old that repair parts are becoming harder and harder to find.

Mrs. Lemel asked whether the changes shown to Items 7-10 on the list of anticipated changes (see pp. 1-2) reflect any cuts to positions. Mr. Barger explained that the changes reflect additional allotments received from the state that will in turn offset the overall amount needed to restore fund balance.

BUDGET DISCUSSION

Commissioner Chapman stated that he did not view it as his responsibility to look at every line item of the school board's budget, and that he would rely on the Board's expertise. Referring to Dr. McDaris' remark about the expense of living in this county, he asked the Board members if this budget request is one that they feel strongly enough about that they would be willing to support a tax increase. Chairman McCoy responded that she was surprised by that question, since the Board has the responsibility to provide a budget recommendation to the county, but does not have taxing authority. She stated that whether or not to implement a tax increase is a decision for the county commissioners. Mr. Chapman stated that he just wanted to see how strongly the Board feels. Chairman McCoy stated that the Board feels very strongly about its budget recommendation.

Mr. Chapman stated that he wants everyone to understand that the county has reached the point where it must be willing to make hard cuts or raise taxes on its citizens. He pointed out that nothing is a one-time expense. Regarding security, he pointed out that our school system is one of the few with an SRO in each school. He stated that he is proud of that and wants to support that; however, he feels that Sandy Hook was a secure school and the shooting still happened. He emphasized that the county is in a serious situation with regard to taxes and spending.

Mr. Kiviniemi pointed out that the budget request does reflect a considerable increase from last year; though the increase would only return the school system to the level of three years ago. He stated that \$1.8 million would get funding back up to where it needs to be without making any significant improvements. He stated that the schools have serious capital needs and it is time to look at a bond issue.

Mrs. Lemel observed that state and federal funding for the schools had decreased in recent years, and that she understands the need for the county to make up some the difference. She stated that she wants citizens to understand that the focus of these budget discussions is the local portion of the schools system's overall budget. The full scope of operations for the school system is similar in size to the entire county operational budget. Dr. McDaris stated that the schools are anticipating \$200,000 in federal sequestration cuts.

Chairman Hawkins asked Dr. McDaris to address the difficulty in comparing Transylvania County Schools to surrounding school districts with regard to the fact that other districts receive supplemental funding streams that Transylvania does not. Dr. McDaris reported that Transylvania has never been eligible to receive the low wealth funding or small school funding that other systems receive due to its high tax base and income levels. In addition, many other NC districts also receive additional money because they have low student performance. He remarked that it seems unfair that Transylvania's high student performance eliminates the opportunity for supplement funding. Dr. McDaris reported there are efforts underway to try and get the small school funding formula changed so that Transylvania County can qualify. Dr. McDaris remarked that there are even funding formulas that provide money based on the year in which a county achieved national forest status.

Chairman Hawkins stated that although Transylvania County ranks near the top in its funding efforts to the schools, any additional help would be good. He encouraged lobbying to get Transylvania included in the formulas for additional state funding.

Chairman Hawkins asked Mr. Wilson to expand on the dangers of using fund balance reserves to pay for recurring expenses. Mr. Wilson reported that if things do not change, there is a fear that the school system's fund balance could reach such a low point by the year 2015 that it could no longer cover salaries and operational expenses. He stated that going from \$3.1 million to \$400,000 is unsustainable.

Mr. Hawkins asked if the Board is considering increases to teacher supplements in their forward projections. Mr. Wilson stated that he and Dr. McDaris have discussed that. The hope is to be able to focus on a two-year plan and possibly have \$200,000 more available for teacher supplements by 2015. Mrs. Lemel asked what a half-percent bump in supplements would cost. Mr. Barger estimated approximately \$94,000 including benefits.

Commissioner Chappell asked about the numbers of students receiving free and reduced-price lunch in the county schools. Dr. McDaris reported that the average free and reduced rate stands at 62%. Mr. Chappell stated that is a staggering statistic. Dr. McDaris reported that state and federal subsidies have not kept pace with rising costs per plate.

Mr. Chappell asked how many locally funded teacher positions the schools have. Mr. Barger reported there are 24 regular classroom teachers, plus exceptional children teachers and others that are paid by local funds. Mr. Chappell noted that the state does not provide adequate teacher allotments to appropriately serve all students. Dr. McDaris agreed, and explained that the administration must pull from a number of pots to pay for the numbers of teachers that are needed.

Commissioner Chappell asked about any upcoming changes to curriculum resulting from unfunded state mandates. Dr. McDaris reported that the state commonly passes down new requirements without providing the funds to meet those requirements, and much depends on how they designate the funding streams. As one example, the state now says that students who do not pass the 3rd grade reading EOC exam have to attend summer reading camp. The state may also require all high school graduates to have an arts credit. The problem here would be that Transylvania has only one art teacher at each high school. Without funds to hire additional art teachers, we could be prevented from offering advanced and honors art courses in order to meet the state mandate.

Commissioner Hogsed asked what the total budget for the school system is currently. Mr. Barger reported approximately \$34 million in total funding, not including Child Nutrition. Mr.

Hogsed asked what the total would be for FY14. Mr. Barger stated that the figure is not known because federal allotments have not yet been released. Mr. Hogsed asked how many students are enrolled. Mr. Barger reported a total of 3,584 students.

Mr. Hogsed stated that he did not understand the partial restoration of fund balance as depicted on Line 12 (see pp. 1-2). Mr. Wilson explained that since Mr. Hogsed had arrived late to the meeting, he had not been present when fund balance was discussed earlier. He gave another review of what is happening to the school system's general fund balance.

Commissioner Hogsed stated that the county's budget has not been the same since the downturn of the economy. He stated the Board had reduced its request one year in order to help the county out. He stated that the county has been operating in a deficit position and that sales tax revenues have been down. He thinks everyone can agree that the Board of Commissioners has done as much for the schools as it could and avert cuts to positions.

Commissioner Chapman noted that county's budget deficit is approximately \$4 million and questioned whether meeting the school system's recommendation would up the deficit to \$4.5 million. Mr. Wilson reported that the county's deficit has actually come down recently and now stands at \$3.2 million.

Chairman Hawkins asked Mr. Wilson and Dr. McDaris about the possibility of reaching an agreement on a two-year plan at this meeting. Dr. McDaris stated that it would depend on the number. He stated that he would be comfortable locking in for two years at the \$1.8 million amount; however, it would be up to the Board of Education to reject or accept that offer. Mr. Hawkins asked Mr. Wilson if it would be fair to say that he could agree to \$1.6 million with a specific question about the \$150,000 item for the BES front office relocation.

Mr. Wilson reported that his question about relocating the BES front office is whether that would be the best way to spend money or would there be a less expensive alternative. He would like to see if the same thing could be accomplished for around \$50,000.

Dr. McDaris reported that moving the BES administrative offices from the middle of the building to the front of the school is very high on the Board's priority list for obvious reasons. He stated that Sheriff Mahoney had confirmed with him that relocation would be a logical move safety-wise. Dr. McDaris gave a reminder that most of our schools were built in an era when school safety and intruders were not issues. No schools are built with offices in the middle any more.

Mr. Rogers stated that the Board is simply asking to bring capital funding back to the level of 2008-2009. He calculated that needs such as recurring expenses, leaking roofs, paving projects, and HVAC repairs total nearly \$1.7 million. He stated that although these items have no curb appeal, they are significant needs nonetheless. Regarding the BES office, he reported that moving the offices is not a new idea. The master facility plan that was done in 2009 relocated the BES offices to the area that is currently the music room. Mr. Rogers stated that he is very concerned by the fact that the BES office is not situated in such a way that would allow control over who comes into the building.

Mr. Rogers discussed how hyperinflation has exacerbated the painful economy, with an increase of 8.5% over the last four years. He reported there is some good news in that the rate of commercial retail bidding is the highest it has been five years. Mr. Rogers reported that costs of building materials have remained stable and labor costs have actually decreased, making this the best time to get work done before construction costs start going up. Mr. Hawkins added that

the cost of financing is also at an all-time low. He believes the Boards should look at how to meet needs in a long-term, strategic way.

Chairman McCoy reported that the Board has been studying the budget numbers for quite a while, and thanked the commissioners for this opportunity to answer questions and provide a better understanding of the school system's needs. Chairman Hawkins agreed that the commissioners have been dutiful in trying to understand the issues.

Commissioner Hogsed asked Mr. Wilson to prepare a look at the county's total revenues from 2001 to the current year.

Chairman Hawkins asked if the Boards would be comfortable with further discussion about moving toward a two-year plan. All indicated agreement. Mr. Hawkins relayed a humorous anecdote about being a school board member which stated, "Being a school board member is a lot like being a cook at Applebee's. The cook has very little control over the menu, but if the meal is not good, he will be the one who hears about it. "

Commissioner Chapman stated to the assembly, "This is your money and we need to hear from you. You can see we have been kicking the can down the road. I would love to hear if you would support increasing taxes to support the schools and government services at the levels we have been. We need to hear from the community. We have to decide what kind of community we want. We have one of the lowest tax rates in the state, and I commend this. I also commend previous boards and Artie Wilson for our healthy fund balance. I want to make sure every spare dollar we have goes to the classroom. We have to focus on keeping that money aimed at increasing technical education programs and teaching the skills that enable people to get jobs. We need to hear from you."

Mrs. Petit stated, "I would like to say on behalf of the Board of Education, that this list of needs is no surprise to anyone. Most of these items we have seen for the last five years. The same roofs, the same leaks, only it has just gotten worse. The \$1.8 million is not a surprise. These are needs that we have been putting off and putting off. We can't do it anymore. I hope we are not going to fight over \$200,000 and put a dollar figure on a child's safety. Some priorities are more of a priority than others. From our standpoint, I can justify a tax increase to any citizen in this county."

PUBLIC COMMENT

Kim Provost, parent, stated that her son is in high school and she has been hearing about these issues since her son was in elementary school. She stated that she would "over the top" support a tax increase in order to show our kids that they are the priority. She stated, "An investment in our kids is an investment in our community."

Marty Griffin, retired educator, stated that he had left the joint meeting two years ago feeling very disappointed, and last year there was no joint meeting. He thanked the Boards for meeting together this year and for being respectful of each other's views.

ADJOURNMENT

There was no further business, and ON A MOTION BY MR. CHAPPELL, SECONDED BY MRS. LEMEL, the Board of Commissioners were adjourned at 8:43 p.m. ON A MOTION BY MR. KIVINIEMI, SECONDED BY MRS. FOX, the Board of Education was adjourned at 8:43 p.m.

May 14, 2013

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Respectfully submitted,

Chairman

Secretary