

Draft

**BOARD OF COMMISSIONERS
BUDGET WORK SESSION** May 15, 2017

**ALEXANDER COUNTY
STATE OF NORTH CAROLINA**

PRESENT: Milton H. Campbell, Chairman
 Ronnie Reese, Vice-Chairman
 Josh Lail
 Ryan Mayberry
 Dr. Jeffrey P. Peal

STAFF: Rick French, County Manager
 Jamie Starnes, Clerk to the Board

The Alexander County Board of Commissioners held a budget work session on Monday, May, 15, 2017 at the CVCC / Alexander Center in Room 103, Taylorsville, North Carolina.

CALL TO ORDER

Chairman Campbell called the meeting to order at 6:00 PM.

INVOCATION & PLEDGE OF ALLEGIANCE

Vice-Chairman Reese gave the invocation and Chairman Campbell led the Pledge of Allegiance to the Flag.

COMMISSIONER'S REPORT

Vice-Chairman Reese urged the public to attend the upcoming ceremony to rename the Alexander County Law Enforcement Center after former Sheriff Thomas E. Bebbler on Friday, June 2, 2017 at 6:00 PM.

Commissioner Lail thanked County department heads and staff for the work done to put their budget requests together; however, he pointed out that, although some requests were reasonable, others were not and he hoped all would understand that everything asked for could not be funded.

Commissioner Peal, who attended the Leader in Me Program at Ellendale Elementary this past Friday, May 11th, explained that the Leader in Me approach develops leadership and life skills based on the following 7 habits – 1) be proactive, 2) begin with the end in mind, 3) put first

things first, 4) think win-win 5) seek first to understand, then to be understood, 6) synergize, 7) sharpen the saw. He also congratulated Doug Rhoney, ACHS Principal, who was recently elected to the NC High School Athletics Association Board of Directors.

ADOPTION OF AGENDA

Vice-Chairman Reese made a motion to adopt the agenda as presented. Commissioner Mayberry seconded the motion, which passed unanimously.

2016-2017 BUDGET OVERVIEW AND COMPARISON

Rick French, County Manager, reported that the Alexander County General Fund that totaled \$38,284,170 as of July 1, 2016 currently stood at \$39,536,875. According to May financials, revenue collected for the 2016-2017 budget year equals 84% compared to 76.1% for expenses. Article 39 sales tax collections currently stand at \$1,340,000 compared to 1,226,000 for the same time frame last year. Article 40 sales tax collections are at \$1,235,000 compared to 1,185,000 last year. A total of \$901,390 has been collected for the new sales tax allotted for economic development, public education, and community colleges. Other revenue collection comparisons included:

- Property taxes - \$19,431,000 current compared to \$19,392,000 last year.
- License Plate Agency - \$103,000 current compared to \$94,463 last year.
- Register of Deeds - \$191,250 current compared to \$181,932 last year.
- Detention Center - \$231,720 current compared to \$433,125 last year.
- Inspections - \$176,583 current compared to \$187,406 last year.
- EMS - \$1,215,718 current compared to \$1,062,476 last year.
- Animal Services - \$51,000 current compared to \$50,000 last year.
- Recreation - \$59,397 current compared to \$74,949 last year.

He added that to date revenues total \$33,298,000 compared to \$29,539,000 for expenses, noting that revenue would slow as the end of the fiscal year neared. Sales tax revenue collections for 2016-2017 will continue into the 2017-2018 budget year as they are distributed 3 months behind.

2017-2018 DEPARTMENTAL REQUESTS SUMMARY & HIGHLIGHTS

Mr. French reviewed the top 5 departments with the most requested increases for the upcoming year as follows, noting that all requests for the 2017-2018 budget total \$40,206,664:

- Sheriff's Office – requested \$517,000 more than the 2016-2017 appropriation for 4 new deputies and several pay increases for current staff, 4 new vehicles, purchase of current facility leased for evidence storage, and several smaller capital items such as bulletproof vests, camera system, lights/sirens/cages/rifles etc., projector/screen, notifications module for RMS, and phone system for evidence building.

- School System – requested \$659,240 (\$509,000 with continued auditorium payment of \$150,000) more than the 2016-2017 appropriation due to the loss in State funding from decreased student enrollment, the need for 3 additional staff members and to supplement the School Nutrition Program, device leases to expand the 1:1 technology initiative to grades 3-9 and Alexander Early College, and continued use of Fund Balance.

Mr. French advised that County funding to the School System had increased \$1,031,900 since the 2013-2014 budget year and that the County's last payment of \$150,000 toward debt on the auditorium at ACHS would be paid from the current 2016-2017 budget.

- DSS – requested \$336,000 more than the 2016-2017 appropriation for one new income maintenance supervisor position (\$39,302 County / \$12,333 State) as well as pay increases for current staff, replacement vans (\$30,814 County / \$15,186 State), and a 44% increase in the Foster Care food & provisions line item due to an all-time high of children in care. Others small increases included technology needs and additional funds for drug screenings.
- Detention – requested \$317,000 more than the 2016-2017 appropriation for handheld portable radios, a mezzanine barrier, on-call compensation for Detention Command staff, and several pay increases / promotions for current staff.
- EMS – requested \$263,000 more than the 2016-2017 appropriation for 4 EMT positions to move the 12-hour truck to a 24-hour truck, a replacement ambulance, a 3-bay garage to be located at the back of EMS Station 1, and a transport ventilator.

Other meaningful requests include \$101,656 for replacement of an existing mobile air van, \$28,500 to replace the Emergency Response Vehicle for the Assistant Fire Marshall, \$25,615 to replace an Inspections Department vehicle, \$125,000 in technology requests, \$16,000 for a vehicle lift at the County garage, and funds to pave parking lots at the Bethlehem Branch Library, Health Department, and Administration. New positions requested were one for Rocky Face Park, one for the License Plate Agency, 4 EMT's for EMS, one health promotion planner at the Health Department, one for the Senior Center, 4 telecommunicators for 911 Communications, 4 Sheriff's deputies, one income maintenance supervisor at DSS, a public information director, a purchasing agent and coworker position, and a full-time in-house county attorney.

In reviewing the expense budget comparison report provided by Mr. French that compared departmental expenses for FY 2015, FY 2016, FY 2017 as of May 5th, and amounts requested for FY 2018, Commissioner Lail made the following statements:

- He pointed out that expenses for the License Plate Agency exceeded its revenue by approximately \$40,000 which would be \$70,000 with the requested \$30,000 increase for FY 2018. Mr. French explained that the increase was to convert a part-time

position to a full-time department head with plans to operate as a separate department from the Tax Office.

- He questioned the 93% increase in the Human Resources budget from FY 2015 to FY 2018. Mr. French advised that the increase was due to insurance for County retirees.
- He stated that, although Rocky Face Park was unique and had a good number of visitors, a 113% increase in expenses in 3 years was hard to stomach. He felt a lot of money was being spent at the park that not all citizens agreed with and he questioned why that same amount couldn't be equally spent at other County parks also visited by thousands every year.
- He noted that the combined Library / Bethlehem Branch Library budget request was 2.2% less than the current year which he applauded.

Jennifer Herman, Finance Director, informed the Board that the budget for the Bethlehem Branch Library was originally created separately from the main Library to keep track of costs to get the branch up and running, which is no longer necessary and prompted combining the budgets for the upcoming budget year.

Mr. French reviewed sales tax activity beginning with Article 44 (restricted to economic development, public education, and community colleges) that is estimated to total \$1,352,019.40 for the current budget year (final collection will be received in August 2017). Of that amount, \$400,000 is allotted for the School System along with \$298,349 for a local grant match for the Industrial Park Pump Station Project. A continued allotment of \$400,000 for the School System is planned for 2017-2018. He mentioned several possibilities for use of this sales tax for 2018-2019 including debt service for the State Revolving Loan for water and sewer projects and broadband related projects if approved.

For Articles 40 and 42 (restricted for school capital and debt service), Mr. French provided activity beginning on July 1, 2014 with a balance of \$2,566,345.27 to April 30, 2017 with a balance of \$3,435,388.88. Use of these funds by the School System over this period of time included:

- June 2015 - \$175,776 for purchase of the Sugar Loaf Fire Department property.
- June 2016 - \$727,284.90 for ACHS fence (\$9,198), ALP building (\$480,576.52), computer equipment (\$132,097.84), Ellendale Elementary HVAC (\$19,841.60), Ellendale Elementary telephone system (\$17,999.97), West Alexander Middle HVAC (\$39,245.97), and Sugar Loaf Elementary Project (\$28,325).
- August 2016 - \$326,173.57 for ALP building (\$149,996.90) and computer lease buyout (\$176,176.67).

- April 2017 - \$302,524.78 for ALP building (\$245,529.85), baseball field house repairs (\$14,670), Bethlehem Elementary telephone system (\$15,324.95), and East Alexander Middle telephone system (\$26,999.98).

Also reviewed were County budget appropriations to the School System from FY 1994 (\$2,086,804) to FY 2017 (6,031,900) as well as payments toward the auditorium (\$2 million total) and two special County-funded projects, one in FY 2011 (\$175,545 for Old Wittenburg School HVAC) and another in FY 2012 (\$50,000 for ACHS track resurfacing).

WATER RATES AND WATER TAP FEES

Mr. French reported that the City of Hickory had proposed a 1.7% increase in water usage rates for the 2017-2018 year, which, if approved by the Hickory City Council, would affect all water users on the City of Hickory system; however, he advised that Alexander County had requested continuation of the “inside” water tap rate for the upcoming budget year as an incentive for citizens to tap onto the system (\$1,066 for ¾ inch tap, outside rates are doubled).

2017-2018 ALEXANDER COUNTY SCHOOLS BUDGET REQUEST

Dr. Jennifer Hefner, Alexander County Schools Superintendent, gave a slide show presentation regarding the School System’s 2017-2018 budget request, which included the following information:

- Declining student enrollment – DPI decreases the State allotment if the number of students on the 20th day of school is less than projected by 100 students. Enrollment on May 12, 2017 was 4,858 (74 below DPI projection of 4,932). If that number reaches 100, funds for 50 students will be reverted back to the State.
- Current allotments (minus Federal allotments which have not yet been received) – reduction of 5 classroom teachers, 3 months of employment for vocational education, loss of \$5,111 in Disadvantaged Student Supplemental Funding, loss of \$11,923 in Limited English Proficiency funding, and loss of \$16,858 in At-Risk funding. This is a direct impact of declining enrollment.
- Additional personnel needs – one social worker, one English as a Second Language teacher, and one school nurse due to the number of students in need of services and programs (186 students with 504’s – 143 of those with mental disorders, 744 students in the Exceptional Children’s Program, 96 limited English proficient students, and 218 students with Emergency Action Plans due to health issues). Funding for the Exceptional Children’s Program is capped at 12.5% regardless of actual numbers – Alexander County is currently at 14.8%.
- School Nutrition Program – Projections indicate the need for \$100,000 to supplement this program for 2017-2018 compared to \$150,000 in the past.

- Appropriation of Fund Balance – the projected balance on June 30, 2017 is \$3,834,488. The School System plans to use approximately \$351,658 to balance the current expense budget, however, further use of Fund Balance will be necessary if the Senate budget related to teacher allotments passes, resulting in the loss of flexibility of funding sources for positions. No further funds can be taken from Fund Balance once the threshold of \$2 million is reached.
- Funding needed for devices – beginning with the 2017-2018 school year, grades 3-12 will be completely 1:1. Devices will be leased for grades 3-8 as well as Early College at a cost of \$650,775 and will be paid from half-cent sales tax money.
- Facility needs – a 2014 facility study indicated two primary areas of concern including Taylorsville Elementary (\$2.2 to \$2.4 million) and Sugar Loaf Elementary (\$2.1 million). Half-cent sales tax money totaling \$1.2 million has been earmarked to fund technology leases and major building repairs to include telephone systems, HVAC needs, roof replacements, resurfacing of tennis courts, expanding parking lots, etc. Repairs to the Sugar Loaf Elementary gym will take place over the summer.

Many comments were made and questions were both asked and answered during and after Dr. Hefner's presentation as noted below:

Commissioner Lail did not believe decreased enrollment was a short-term trend according to real estate sales and statistics provided by the WPCOG and he felt at some point reductions would need to be made in staff and operational costs throughout the school system.

Dr. Hefner mentioned the recent consideration of possibly closing Taylorsville Elementary prior to the DPI study that would've saved approximately \$540,000 per year in operational costs; however, she reported that the Board of Education had decided not to move forward with that option, noting that the next option could quite possibly be staff. She stated that attrition continued to be utilized and that over 100 positions had been cut over the past 6 years.

Commissioner Lail agreed that closing a school was not popular but he feared that kicking the can down the road was only prolonging the inevitable, noting that school enrollment once stood at 6,500.

Commissioner Mayberry inquired about the need to supplement the School Nutrition Program to which Dr. Hefner contributed to increasing food costs and decreasing student participation (mainly due to strict regulations on sodium and fat counts, etc.) and he asked if outsourcing the program was possible.

Dr. Hefner replied that Burke County was in their second year of outsourcing to a food management company and that the City of Elkin was considering this option as well.

Commissioner Peal pointed out that some of those restrictions may soon be lifted under the new administration in Washington.

Chairman Campbell asked if the Board of Education had considered a debt structure to address the facility needs noted in the DPI study.

Dr. Hefner advised that the Board of Education was not interested in going into debt when considering the estimated enrollment projection of 4,100 students for the 2025-2026 school year and only wished to utilize monies currently available to address those needs.

Commissioner Lail asked why the Board of Education would choose to disregard the DPI recommendation to close either Taylorsville Elementary or Sugar Loaf Elementary and spend between \$4.3 and \$4.5 million to renovate those two schools only to possibly have to close one or two schools in a few years due to decreasing enrollment. He added that \$4.5 million would go a long way in making the other schools in the county better.

Dr. Hefner replied that she was not a School Board member and could not speak to their rationale but that her understanding was that the Board of Education hoped the enrollment situation would improve through economic development efforts that would draw citizens of child-bearing age to Alexander County, reverse the trend.

Commissioner Mayberry expressed concerns with falling enrollment coupled with the possibility of building another high school for the Early College Program. He anticipated enrollment in public education continuing to decrease due to the popularity of private and home schools as well as the loss of a younger population and he felt there had been no adaptation or focus on reality, noting that a long-term plan was needed.

Dr. Hefner responded that she was committed to making sure every child in the Alexander County School System received the best education possible regardless of circumstance. She also added that every surrounding school system had at least one early college program and she felt our students deserved the same opportunity.

Chairman Campbell was concerned with the size and pace that the Early College Program was growing and the fact that those students would leave ACHS, leaving 400 less students at that campus once full capacity at Early College was met. He pointed out that Challenger accepted 100 students yearly from 7 feeder schools and he asked if any operational expenses would be picked up by the State for the coming year for the program.

Dr. Hefner informed the Board that the proposed Senate budget removed appropriations from Tier 3 county early college programs to fund Tier 1 county programs. Alexander County is a Tier 2 county; therefore, she did not anticipate any funding for the upcoming year. She did note that the teacher positions at ACHS followed the students to the Early College High School.

In response to questions from Commissioner Peal regarding the original start date of the Early College Program and Vice-Chairman Reese about enrollment requirements, Dr. Hefner explained that staff had been led to believe when the grant was submitted that 2016-2017 would be a planning year but was told at the last moment they were to move forward with the program. As far as requirements for enrollment, although the grant was written for a 400-student program, there are no requirements to be met because no grant funding was received. Dr. Hefner felt the 400-student projection should probably be scaled back to a more realistic number, but felt turning away 50 students this year as suggested by Commissioner Peal would be unwise when considering those students had already been accepted and the excitement the program has created for parents and students alike.

Commissioner Mayberry mentioned that the Applied Technologies Center had been created to house programs to train citizens for the workforce, not Early College, and that the County could not continue to plug the School System's budget shortfalls year after year. He felt long-term projections related to enrollment needed to be addressed as well as plans for Early College, noting that it was difficult to justify the need for another high school when students are being taken from the population at ACHS. Commissioner Mayberry also asked if one wing of ACHS could be utilized for the Early College Program.

Dr. Hefner pointed out that those enrolled at the Early College High School were still Alexander County students, leaving no impact on enrollment numbers compared to Challenger students who are counted in the Catawba County School System. She also replied that research showed the most successful early college programs were held on college campuses but that the option of a wing at ACHS could be discussed.

Commissioner Peal applauded the School System's efforts on stretching their budget as much as possible and he asked for information on the Student Success / ALP Center. Dr. Hefner explained that in the previous evening program, student attendance was terrible and average credits earned per year was 2.6. Attendance has improved tremendously with the transition to the day program and students are more successful due to an increased support system. In addition, ACHS students given out-of-school suspensions are now being offered a placement change to attend classes at the Student Success Center with the parent's permission. No instruction is missed and the suspension is not placed on the student's permanent record.

2017-2018 PROJECT UPDATES & RELATED ISSUES

Mr. French reviewed several planned and potential projects for the 2017-2018 budget year, as follows:

- The CVCC / Alexander Applied Technologies Project should be closed out by September. There is no additional funding planned for Early College.

- The Shurtape Sewer Project will be bid soon.
- Basic plans for the former Community One Bank Building will be provided by CBSA Architects in late June or early July.
- Rocky Face Park Phase 2 will be completed by the end of August.
- Applications for low interest water and sewer loans have been submitted to the State for sewer in the Bethlehem area and to complete the 2008 list of needed water projects.
- Duke Energy is applying for PARTF grant funds for Phase 2 of Dusty Ridge Park and Wittenburg Access. Both will require on-site personnel.
- Staff plans to apply for a CDBG grant in late summer to extend sewer from the new Shurtape line to other areas in Stony Point.
- Internet Assessment Surveys are being compiled to prepare for the Broadband Feasibility Study later in the year.
- Direction is needed for use of the smaller Taylor Togs building next to the Applied Technologies Center.

Mr. French added that several small projects would be discussed at a later date. He also proposed a COLA for County employees beginning September 1, 2017, noting that a COLA had not been given since 2010.

CLOSED SESSION – N.C.G.S. 143-318.11(a)(4, 5, & 6) ECONOMIC DEVELOPMENT, CONTRACTUAL, & PERSONNEL

Vice-Chairman Reese made a motion to enter into Closed Session at 8:21 PM to discuss economic development, contractual matters, and personnel issues pursuant to N.C.G.S. 143-318.11(a)(4, 5, & 6). Commissioner Peal seconded the motion, which passed unanimously.

ADJOURNMENT

There being no further business, Vice-Chairman Reese made a motion to adjourn at 8:59 PM. Commissioner Mayberry seconded the motion, which passed unanimously.

Milton H. Campbell, Chairman

Jamie M. Starnes, Clerk to the Board