

CUMBERLAND COUNTY BOARD OF COMMISSIONERS  
CUMBERLAND COUNTY BOARD OF EDUCATION  
MONDAY, JUNE 11, 2018 – 3:00 PM  
DEPARTMENT OF SOCIAL SERVICES, 1225 RAMSEY STREET  
SPECIAL MEETING MINUTES

CUMBERLAND COUNTY

PRESENT: Commissioner Larry Lancaster, Chairman  
Commissioner Jeannette Council, Vice Chair  
Commissioner Glenn Adams  
Commissioner Michael Boose  
Commissioner Charles Evans  
Commissioner Marshall Faircloth  
Commissioner Jimmy Keefe  
Amy Cannon, County Manager  
Melissa Cardinali, Assistant County Manager  
Tracy Jackson, Assistant County Manager  
Sally Shutt, Assistant County Manager  
Duane Holder, Assistant County Manager/Interim Health Director  
Rick Moorefield, County Attorney  
Vicki Evans, Finance Director  
Candice White, Clerk to the Board  
Kellie Beam, Deputy Clerk

CUMBERLAND COUNTY SCHOOLS

PRESENT: Carrie Sutton, Board of Education Chairman District 3  
Donna Vann, Board of Education Vice Chairman District 4  
Porcha McMillan, Board of Education District 2  
Judy Musgrave, Board of Education At-Large  
Alicia Chisolm, Board of Education District 1  
Greg West, Board of Education At-Large  
Susan Williams, Board of Education District 5  
Rudy Tatum, Board of Education At-Large  
Peggy Hall, Board of Education District 6  
Tim Kinlaw, Interim Superintendent  
Marvin Connelly, Superintendent Elect  
Nick Sojka, Board of Education Attorney  
Clyde Locklear, Associate Superintendent Business Operations  
Ricky Lopes, Former Assoc. Superintendent Business Operations  
Pete Horne, Clerk  
Linda Caesar, Clerk

OTHERS PRESENT: A. Elizabeth Keever, Retired Chief District Court Judge/Mediator  
Press

1. MEDIATOR INTRODUCTION TO BOARDS

Retired Judge Keever introduced herself as the former Cumberland County District Court Judge and Chief District Court Judge and stated since she retired in 2014, she has been certified as a mediator by the Dispute Resolution Commission. Retired Judge Keever stated at the request of the Board of Commissioners and Board of Education, Senior Resident Superior Court Judge Jim Ammons appointed her to be mediator/facilitator in this action. Retired Judge Keever stated this meeting is pursuant to NCGS 115C-431 and a resolution passed by the Board of Education indicating that the amount included in the county budget is not sufficient to maintain a system of free and public schools in Cumberland County.

2. CALL TO ORDER – BOARD OF EDUCATION

Carrie Sutton, Chairman of the Board of Education, called to order the special meeting of the Board of Education.

Marvin Connelly, Cumberland County Schools Superintendent Elect, provided the invocation.

### 3. CALL TO ORDER – BOARD OF COMMISSIONERS

Larry Lancaster, Chairman of the Board of Commissioners, called to order the special meeting of the Board of Commissioners.

Retired Judge Keever called on Tim Kinlaw, Cumberland County Schools Interim Superintendent, for a presentation on behalf of the Board of Education.

### 4. BOARD OF EDUCATION PRESENTATION

Mr. Kinlaw stated the funding formula contained in the Cumberland County Schools Funding Agreement dates back to 2001 and has been renewed on two occasions, and each time the funding was renewed, the Board of Educations received a small percentage of ad valorem taxes. Mr. Kinlaw stated each agreement also contained a hold harmless provision that protected against a reduction in school funds based on revaluation. Mr. Kinlaw stated of greater concern at this time is the true up, which was in place in 2010 during revaluation and in 2010 the schools received funds based on the true up. Mr. Kinlaw stated the true up has been a part of discussion at the county's Finance Committee level and has been discussed with county administration; however, the Board of Education has recently been told that the true up does not apply according to the way the agreement reads, even though the agreement contains the same language it has always had.

Mr. Kinlaw stated the primary focus of the school's budget this year is to improve the safety and security of students and staff, address the physical health of students and the mental well-being of students, and the Board of Education decided to take bold steps and be progressive in improving the safety of students and all staff. Mr. Kinlaw stated the original request this year was \$85,884,000 million with the primary focus of the increase being to place an SRO in every school, to reduce class size in the ten highest poverty schools and to add additional nurses and guidance counselors.

Mr. Kinlaw stated the agreement allows staff to negotiate a new agreement and bring the results of the negotiations forward to their respective boards in September, with an original target date to reach an agreement in December 2017 in order to be ready for the new budget year. Mr. Kinlaw stated it was understood going into initial discussions that there was uncertainty about how the revaluation and tax rate would result in final revenues, so it was recognized by the schools that there may be delays in negotiating an agreement. Mr. Kinlaw stated discussions took place as early as October and his initial discussion was that the schools would like to see an increase in the true up amounts, but most importantly would like to add to the agreement a part to address capital outlay needs. Mr. Kinlaw stated the county manager informed him that the county was working on long-term capital needs and trying to address funding for capital needs of the county and the school system, so it was agreed this would not be feasible as part of an agreement. Mr. Kinlaw stated there was also discussion in October at a meeting of the county Finance Committee about renewing the agreement, the true up and what the schools would be entitled to with 25% of revenue above the initial county forecast. Mr. Kinlaw stated the schools strongly believed true up funds would be allocated this year.

Mr. Kinlaw stated he first heard of going to a per-pupil expenditure basis, which had never been discussed with the schools or expressed by county administration, when he attended the March 2018 meeting of the county's Finance Committee. Mr. Kinlaw stated he informed the Board of Education that the county was proposing going to a per-pupil basis and in his initial discussions, he was not opposed as long as there were safe guards in place to address all students within the calculation and an inflation factor included in a long-term agreement.

Mr. Kinlaw stated the average funding from 2012-13 to 2017-18 plus proposed funding from 2018-2019 equals a 2.4% increase over the last seven years, which has not kept up with inflation, so the schools have been challenged to do more with less. Mr. Kinlaw stated in 2012 the ratio of students to employees was 1:7.95 compared to the 2016 1:8.39 which means as the ratio increases, people are expected to do more with less funding.

Mr. Kinlaw reviewed the percentage of ad valorem taxes received by the school system as outlined below and stated over the years, the schools have been efficient with the resources received and become less of a burden on ad valorem taxes than in the past.

Cumberland County Budget 2009 - 2018			
YEAR	GENERAL FUND AD VALOREM TAXES	SCHOOL APPROPRIATION	PERCENTAGE OF TAXES
	(School E-2 on Audit)		
2009	\$145,948,975	\$71,812,043	49.20%
2010	\$159,755,339	\$78,831,036	49.34%
2011	\$155,600,301	\$76,646,227	49.26%
2012	\$159,676,201	\$76,220,676	47.73%
2013	\$163,865,023	\$76,220,676	46.51%
2014	\$168,933,380	\$76,220,676	45.12%
2015	\$172,537,191	\$76,982,883	44.62%
2016	\$173,965,471	\$78,345,062	45.03%
2017	\$176,531,054	\$78,454,770	44.44%
(projection) 2018	★ \$183,356,473	\$80,082,412	43.68%
	(pg 43 of Budget)		
(projection 1) 2019	\$182,103,000	\$79,463,109	43.64%
(projection 2) 2019	\$182,103,000	\$79,912,760	43.88%

\* \$10,121,277 more if at 2009 level

Mr. Kinlaw stated Cumberland County Schools per pupil expenditure ranks 77th in the State which is below the State average, but the schools also recognize that the county has stood out across the state in the amount it has funded the schools (12th in the State) based on its ability to pay (58th). Mr. Kinlaw stated the schools recognize the county’s past efforts and sacrifices made in funding other county needs, but at the same feel there is nothing more important than funding the school system.

Mr. Kinlaw stated negotiations started going wrong in May when the schools asked whether the county was able to predict a true up amount beyond what was allocated. Mr. Kinlaw stated this is when it first learned it was the opinion of the county attorney and county manager that true up did not apply because it was a revaluation year. Mr. Kinlaw stated the Board of Education cannot understand why the schools are now not eligible for the true up because the same language was in the agreement 2010 as it is today, and in 2010 the schools received true up funds based on that agreement. Mr. Kinlaw stated it is difficult to negotiate an agreement or a funding amount for next year when the revenue under the present agreement is not known.

Mr. Kinlaw stated he met with the county manager in May to try to come up with funding to reconcile this year and move forward with next year with both of them having given up on reaching a long-term agreement. Mr. Kinlaw stated two items were discussed: appropriation of \$80,362,412 for FY2019 with no true up at the end of FY 2018 and true up at the end of FY2018, projected to be around \$500,000, with appropriation of \$79,912,760 for FY2019 which split the difference of \$899,303 between \$79,463,109 and \$80,362,412. Mr. Kinlaw stated he received an email from the county manager stating the Board of Commissioners would allocate \$79,912,760, which is \$449,651 more than the amount the Finance Committee budgeted for this year or \$900,000 less than what the schools received this year.

Mr. Kinlaw stated at this point he did not believe there was consensus to move above that amount and he informed the Board of Education that should that amount not be accepted, there was the possibility the county would remove its offer of \$79,912,760. Mr. Kinlaw stated the response of the Board of Education was that it was looking at a loss of about \$1 million of revenue if it agreed to that amount.

Mr. Kinlaw stated on June 1 after meeting with the Board of Education, he was directed to meet the needs of the schools and at the same time reduce the request of the county. Mr. Kinlaw stated his letter to the county manager indicated the school’s original request was \$85,884,000, and after being informed by the county manager that seven school nurses had been included in the Health Department budget, he subtracted \$398,937 from the school’s original request. Mr. Kinlaw stated he also subtracted two-thirds of the cost of forty-three additional SROs or \$2 million and also recommended that \$2 million be appropriated by the Board of Education from the Fund Balance. Mr. Kinlaw stated this brought the revised county appropriation request to \$81,485,063. Mr. Kinlaw stated his letter also stated if the county would fund thirteen SROs, the schools would reimburse the county dollar per dollar in the event the State provides SRO

funding in FY2018-2019. Mr. Kinlaw stated his letter also requested that the true up amounts would apply for this year.

Mr. Kinlaw stated he knew while negotiating that the county held a public hearing on the budget, but his belief was that the hearing was for the public and not necessarily for the Board of Education to plea for money at the County Commissioners meeting. Mr. Kinlaw stated the Board of Education was taken by complete surprise when the Board of Commissioners approved the county's budget following the public hearing because he and the county manager were still talking, exchanging memos and trying to come up with an agreement satisfactory to both parties.

Mr. Kinlaw stated the county offered \$499,651 and the schools countered by reducing their request by almost \$4 million. Mr. Kinlaw stated everyone is present with the desire to reach an agreement but at the same time with the changes in society, there is an expectation to make the schools safer for students and staff. Mr. Kinlaw thanked the county for the funding it provided for SROs that were not part of the agreement and stated the school's position is it has to do better and increase safety and security, improve the mental health of students and provide more in the way of physical health.

Retired Judge Keever thanked Mr. Kinlaw and opened the floor for questions from the Board of Commissioners. There were no questions.

## 5. COUNTY PRESENTATION

Retired Judge Keever called on Amy Cannon, County Manager, who presented the position statement recorded below on behalf of the Cumberland County Board of Commissioners. Ms. Cannon stated there are basically five questions that need to be addressed regarding school current expense funding and the basis for the county's current year appropriation.

Question 1. What is the total current expense funded by the County for the Board of Education?

The current expense the County appropriates to the Board of Education in its budget is not the total current expense the County funds the Board of Education each year. In addition to the current expense appropriated to the Board of Education in the budget, that total includes the impact of the Goodyear Incentives Agreement paid through the County's general fund, the cost of school nurses funded by the County through the Health Department's budget and the cost of School Resource Officers and Crossing Guards funded by the County through the budget of the Sheriff's Office. Under the terms of the funding agreement which has been in place since FY14 and expires at the end of the current fiscal year, the Board of Education agreed that the prorated portion the Goodyear Incentives on the percentage of the ad valorem taxes allocated to the Board of Education would be excluded from its allocation; however; that amount was still paid by the County. The total projected actual total current expense funded by the county for the current fiscal year ended June 30, 2018 is projected to be \$84,150,513. From all these sources, the total current expense funded by the County through the FY19 budget is \$84,065,526. That is a decrease between the current year's total current expense and next year's budgeted total current expense of only \$84,987.

Question 2. How significant is this decrease of \$84,987 in the total current expense funded by the County on behalf of the School Board in next year's budget?

The allotted ADM, which is the number of students DPI uses for State budgeting purposes, is estimated to decrease by 248 students from the current year to next fiscal year. If this was a one-time anomaly, it would not cause concern; however; it is not an anomaly. Since FY14 the allotted ADM has decreased by 701 students, or 1.33% of the total student enrollment. During that same time, the current expense appropriated to the Board of Education has increased 4.21%. The other current expenses paid by the County on behalf of the Board of Education have also increased significantly. The trend is declining enrollment with increased current expense funding and this is simply not sustainable. Another significant reason for the County to decrease both the current expense funding appropriated to the School Board or otherwise funded directly by the County is to force the School Board to reduce its unassigned fund balance.

Question 3. What is the significance of the School Board's unassigned fund balance?

The Local Government Commission recommends counties maintain an unassigned fund balance of at least 8%. The unassigned fund balance affects a county's credit rating for the issuance of debt instruments. The Cumberland County Board of Commissioners has adopted a fiscal policy

to maintain that unassigned fund balance at a minimum of 10% and has consistently maintained it at the 10% level through FY16. The Board of Commissioners recently adopted a capital investment policy commencing in FY17 and increased the unassigned fund balance to a level of 14.83% for that particular purpose. That capital investment policy creates a model to fund future capital needs of the County but also for the Board of Education.

Unlike counties, boards of education are not statutorily required to maintain any unassigned fund balance. The Cumberland Board of Education has consistently maintained an unassigned fund balance in excess of \$28 million for the last five years. Although that fund balance has only increased less than one percent during that period, final expenditures for the Board of Education have decreased by \$7.9 million, or 9.2%. By way of comparison, the County’s unassigned fund balance was less than 10.25% of final expenditures from FY13 through FY16. It only went up to 14.83% in FY17 to meet the needs of the capital investment policy which includes the capital needs of the Board of Education. During this same period, the Board of Education’s unassigned fund balance as a percentage of final expenditures ranged from 28.4% to 36.42%. The Board of Education, which is not required to maintain a fund balance, has consistently maintained a fund balance percentage which is 2½ to 3 times the percentage amount maintained by the County. At a special meeting of the Board of Commissioners’ Finance Committee held February 15, 2018, Interim Superintendent Mr. Kinlaw explained that the Board of Education has intentionally tried to take funds to put in the fund balance for capital outlay needs. An example of this was the transfer of \$1.775 million from the Board of Education’s General Fund into its Capital Outlay Fund in FY17. While the Board of Education is doing this, the County School Capital Fund carried on the County’s books for the Board of Education has nearly doubled, growing from \$7.5 million in FY13 to \$14.8 million in FY17.

In addition to the unassigned fund balance carried in the Board of Education’s General Fund, the Board of Education has also maintained an unrestricted fund balance in its School Food Fund & Child Care Services in an amount of \$8.1 million to \$11.4 million between FY13 and FY17, with the FY17 amount being \$10.3 million. It is not necessary for the Board of Education to maintain these large fund balances and the budget format used by the Board of Education makes it impossible to determine the intended purpose in carrying these amounts of fund balance.

Question 4. What are the differences in the Cumberland County Schools Proposed 2018 – 2019 Budget and any related funding requests that have been made to the County?

In the Current Expense Fund Summary, the revenue side of the Board of Education’s proposed budget, the County Appropriation for the current fiscal year is shown as \$80,582,412. It cannot be determined how this amount was derived. The County’s direct appropriation for the current fiscal year was \$80,082,412. In addition, the County paid \$280,000 in Goodyear Incentives on behalf of the Board of Education.

In the Current Expense Fund Summary, the expenditure side, significant changes have been made between the current year and next year for the following line items:

Central Administration,	decrease of \$3,335,973
Non-Instructional Support,	increase of \$2,837,625
School Building Administration	increase of \$ 643,875
Instructional Support	increase of \$ 617,527
Teacher Assistants	\$0 in current budget, \$260,915 in proposed budget
At Risk	\$0 in current budget, \$2,845,236 in proposed budget
Facilities/Maintenance	large increase of \$1,191,454

Some of these may be shifts between line items but this cannot be confirmed. The net of these changes in expenditures which have not been related to any request is about \$5.6 million.

Question 5. How does the direct allocation of current expense funding to the Board of Education in the FY19 County Budget remain fair, reasonable and sufficient to fully fund the current expenses of the Cumberland County Board of Education.

The full amount of current expense funded for the Board of Education by the Board of Commissioners for FY19 is only \$84,987 less than the full amount for the current year. That does not include the County’s continued payment of the Goodyear Incentives attributable to the percentage of ad valorem tax revenues allocated to the Board of Education because there is no funding agreement in place for FY19. The Board of Education has not acknowledged that the County must make that incentives payment out of the balance of the ad valorem tax revenue. That is not an issue created by the Board of Education; however; it is a real fiscal issue for the

County and the Board of Education has always acknowledged that issue with the past funding agreements.

To continue the level of funding increases the Board of Education is requesting this year is simply not sustainable for a school system with declining enrollment in a county with one of the lower rates of population growth compared to surrounding counties and the counties with similar populations in other parts of the State. Even more significant is DPI's measure of the relative effort of all counties with respect to current expense funding. Relative effort compares actual effort expressed as a county's current expense appropriation to its ability to pay. As DPI points out, low-wealth counties with comparatively high spending levels tend to rank highest on the relative effort measure. DPI's most recent relative effort measure ranked Cumberland County as 13th of all counties, with an effort rank of 43 compared to an ability to pay rank of 64. Interim Superintendent Mr. Kinlaw has used the relative effort ranking to commend the Board of Commissioners' commitment to education as he has done today. Since the relative effort measure only uses direct appropriations, if the funding for the Board of Education's current expenses paid through the county's general fund (those SROs, school crossing guards, nurses) were shifted to the direct appropriation, the rank of Cumberland County in this measure of relative effort would be improved.

Ms. Cannon stated in summary, the Cumberland County Board of Commissioners is committed to education. The Board is also committed to fostering a balance of opportunities for all of our citizens through economic development and promoting the public health, safety and welfare to make our communities the best they can be. This requires a myriad of tough decisions to be made on a continuing basis. The County's budget appropriations must be weighed carefully and with a great deal of consideration to achieve that balance. Twenty nine percent of the County's budgeted expenditures are for education. That percentage is surpassed only by funding for human services at 30%. These percentages speak for themselves.

Retired Judge Keever thanked Ms. Cannon and opened the floor for questions from the Board of Education. Retired Judge Keever recognized Mr. Kinlaw who stated the Board of Education's position with regard to fund balance has been to look at federal and state and local revenues and maintain around 7% fund balance. Mr. Kinlaw stated this has been place for the last fifteen years when previous agreements were approved and is to meet emergency funding needs in response to changes from the state. Mr. Kinlaw this is being responsible since the Board of Education cannot raise revenue. Ms. Cannon asked whether the fund balance was totally made up of local current expense funds and not federal or state funds. Mr. Kinlaw stated that was correct. Ms. Cannon stated in her opinion, the appropriate comparison is only to the current expense side which is why her presentation showed the percentage as a result of the current expense side.

## 6. DISCUSSION FACILITATE BY MEDIATOR

Retired Judge Keever stated following presentations by both sides, the Board of Education and Board of Commissioners may go into mediation and by agreement of the Boards and their respective chairs, the mediation workgroups will be composed of all members of the Board as well as appropriate staff. Retired Judge Keever assigned a room to each Board and stated as mediator, she will go back and forth between the two groups to take offers and facilitate discussion in an effort to come to a resolution today. Retired Judge Keever stated the statute specifically provides that all mediation is private and not open to the public or anyone else. Retired Judge Keever stated should today's mediation not result in a resolution, the statute provides that the chair for each Board or their designee, attorney for each Board and the finance officer for each Board and the superintendent and county manager will make up the work group.

Discussions facilitated by the mediator commenced.

Retired Judge Keever stated following mediation, an agreement had been reached and that agreement is that the budget for the 2018-2019 school year will be \$80,150,000 and that the provision in the prior agreement with regard to true up funds will be paid for school year 2017-2018. Retired Judge Keever also stated it is her understanding that the provisions related to the Health Department and the Sheriff's Office budget remains and that the parties will begin a negotiation with regard to future funding after Superintendent Elect Dr. Connelly comes on board and has an opportunity to see what he needs. Retired Judge Keever stated each Board needs to vote to approve the agreement.

MOTION: Ms. Sutton moved to approve the agreement between the school board and the county for this upcoming school year as stated by Retired Judge Keever.  
SECOND: Ms. Vann  
VOTE: UNANIMOUS

MOTION: Chairman Lancaster moved to approve the agreement as stated by Retired Judge Keever.  
SECOND: Commissioner Evans  
VOTE: UNANIMOUS

Retired Judge Keever thanked everyone for engaging in mediation with the intent to come to a resolution.

There being no further business, the special meeting adjourned at 6:45 p.m.

Approved with/without revision:

Respectfully submitted,

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Candice H. White  
Clerk to the Board