

**PASQUOTANK COUNTY, NORTH CAROLINA  
JUNE 1, 2017**

The Pasquotank County Board of Commissioners met today in a budget work session on Thursday, June 1, 2017 in the Community Room at the W.C. Witherspoon Memorial Library.

**MEMBERS PRESENT:** Cecil Perry, Chairman  
Dr. William R. Sterritt, Vice-Chairman  
Jeff Dixon  
Lloyd E. Griffin, III (*via conference phone*)  
Joseph S. Winslow, Jr.,  
Frankie Meads  
Bettie Parker

**MEMBERS ABSENT:** None

**OTHERS PRESENT:** Rodney Bunch, County Manager  
R. Michael Cox, County Attorney  
Sheri Small, Finance Officer  
Lynn Scott, Clerk to the Board

The work session was called to order at 9:00 AM by Chairman Cecil Perry. He welcomed members of the Board of Education, as well as school staff and applauded them for all they do for the children and citizens of the County. He provided a short history lesson on schools in Pasquotank County.

**1. BUDGET WORK SESSION:**

Chairman Perry called on Sharon Warden, Chairman of the Elizabeth City Pasquotank County Board of Education. Ms. Warden stated that the school board is not here today asking for a tax increase, they are asking for the Board to review their budget and make some adjustments in order to make education a priority. She said education is the backbone of our society and it prepares us for what comes in our future. She stated that we are all here today because somewhere along the way someone reached a hand down and helped us pull up. She asked for the Board's help, because they are in a jam. She said they have a creative and innovative staff that has gone through their budget in a very meticulous manner and they have cut as far as they can cut and they are still short \$500,000. She asked that everyone come together and come up with some kind of solution to reach the magic number of \$12.3 million. She noted that initially they asked the Board for \$15.7 million, which they knew they were asking for the moon. She noted that at the same time they asked the Board to consider helping them to maintain and sustain, which would require \$12.3 million. With this amount of funding, there will be a stop gap in some of their capital outlay projects. She asked that the boards work together to do what needs to be done in order to show our community that education is our top priority. She said every child should have the chance to succeed and make his or her future what they would like for it to be.

Chairman Perry noted that he represents one of the poorest communities in the district, with the highest unemployment rate. He said the only way a lot of those people will escape what is in front of them is through a good education. He said from personal experience, he knows that training is the ticket out of poverty. He assured the school board that he is in their corner.

Superintendent Larry Cartner noted that we are at a point where the number to sustain and maintain is going to grow every year despite anything we do. He said they are trying to catch up so next year they will not have to ask for such a large number. He said if we want to improve our community, we need to improve our education. School Board members praised our schools.

Finance Officer Sheri Small said through budget deliberations, the County was faced with some mandated costs also. Retirement percentages and health insurance increased. She said we are adding two additional personnel in the Sheriff's Department due to courthouse security and the retirement of some longtime employees. She noted that the Board increased the school's current expense from \$10 million to \$10.9 million, with a balanced budget. This included \$1 million for capital projects to be financed. She said this does not include about \$3.2 million of debt service that is related directly to the schools that we are still paying on. She stated that we do have

restrictive funds that are paying for part of that, but not 100%. Since the lottery funds are not coming in as budgeted this year, we are going to be short on the lottery funds budgeted. She said she has aggressively increased our projection on sales taxes. She said staff budgeted \$7.5 million this year, which was increased to \$8 million, assuming that Senate Bill 126 is going to pass. If it does not pass, we will be eating away at our fund balance. She explained that we basically have a balanced budget right now, with no tax increase, assuming we use about \$500,000 of fund balance. She said whatever is added to the budget, will have to come from a tax increase or cut services. She noted that one penny will generate about \$311,000.

Ms. Small stated that our fund balance is down to 14.82%, which is the lowest in our population group. She spoke with the LGC this week regarding the million dollars we are planning to borrow for the school system, because the loan will require LGC approval. She wanted to make sure that before we budgeted and approved the projects, the LGC will put their blessing on it. She was informed that the LGC does not see a problem with us borrowing money, but they did not want to see our fund balance drop below where it was because in the previous year it was at 16%. Commissioner Dixon asked if there are any current loans that can be refinanced. Ms. Small said the only thing we have left is the PNC debt, but it has a huge prepayment penalty.

Commissioner Meads thanked Ms. Warden for her presentation. He suggested the school board review our proposed budget and see if they have any suggestions. He said he read an article that a school system in Raleigh recently misused funds. He said he is not suggesting that Pasquotank is doing this. He said money has been collected all over the state for "smaller class sizes" and has been spent elsewhere. He noted that the Gates County School Board has not filled out sales tax rebates since 2011. He hopes our school board has done better with their money than some of these school systems have done across North Carolina. Ms. Small said our school board is applying for their sales tax refunds.

Commissioner Winslow said he is concerned about the County's fund balance. He stated that we have already been notified that it is getting to a critical position. Next year, we will be doing the same thing. He said our ability to borrow money definitely affects the school system and the county as a whole. Ms. Small said we stretched our neck out when we increased the sales tax projection for next year to \$8 million. Commissioner Winslow noted that the County is providing over \$15 million to the schools. He said we are all on the same side of the fence when it comes to school funding, but where the money is coming from is a gut wrenching issue with him.

Commissioner Griffin asked if the laptops/tablets were included in their capital expense. Commissioner Dixon said they were not, but he feels there are some things that can be capitalized instead of coming out of their general fund to free up some dollars for the schools. Ms. Small stated that the \$320,000 for phase II of the chrome books and charging carts can be financed. She said she ran an amortization schedule for the \$320,000 for over five years, at 2.5% interest and the annual debt service is about \$68,000. Commissioner Griffin said we may be asking for a two cent tax increase this year, but with the General Legislature and the looming legislation over smaller classrooms for next year we may be facing a five to six cent tax increase, which would be a pretty significant increase for the school system for the next two years. He stated that we need to keep that in the back of our minds. He wonders how many new programs such as the pre-college classroom add to the budget. Superintendent Cartner answered it did not, because they used existing resources, plus the Golden Leaf Grant.

Vice-Chairman Sterritt stated that he was on the school board for twelve years, so he knows the situation at hand. He has been a county commissioner for seven years and the people who elected him expect him to make sound decisions about the needs of the County. He said we need to help the schools continue a path of excellence. He said when students graduate from our public schools they want to transfer to larger colleges outside of the County. Those colleges judge applications by the excellence of the school system they come from. He stated that we do not know what the future is going to be with computers, so we have to prepare now. Many students who have graduated from our school system have gone on to do great things and earned four-year scholarships. He said it is important that the Board continues to help the schools as much as they can. Personally, he does not see a problem with raising the tax rate by two cent. He said he is sure that the people paying the tax will be in total agreement with what we are trying to do, which is continue a program of excellence for our graduates.

Vice-Chairman Sterritt said the ad valorem taxes are going to affect the people that basically, predominately can afford it. He noted that we have a high percentage of people in this County who do not own property, but rent and this will not affect them.

Chairman Perry said if we do not maintain good schools we will create new problems. He said it is the Board's responsibility to be creative enough to maintain our school system and keep it moving forward. He said if we want to make our community a better place to live, we all must make sacrifices. He supports raising taxes as well.

Commissioner Meads said as a business owner he would be better off losing \$300,000 in sales and moving to the county next to us than stay where we are. He said when people come to Elizabeth City or this area to buy a house the first thing they look at is the tax rate. He said anytime we increase the taxes, small businesses will be hurt and we cannot continue to tax them to where they cannot operate. He added that we need more technical training in our schools today.

Commissioner Winslow said the City and County have promoted retirees moving to our area. He said the first thing they are going to look at is our tax rate. Retirees are moving away now. When we consider a tax increase, it is not as simple as it may seem. We need to think about how it affects 40,000 people. He realizes that we must do something.

Commissioner Parker said she believes everyone in the room knows where she stands. She stated that when we talk about business we only talk about the cost and not the profits. She asked if we raise the taxes by one cent how much would it increase taxes on a \$100,000 home. Ms. Small answered \$10 per year. Commissioner Parker noted that we are a Tier I County, which means we do not have a whole lot of people who own property. She feels those that do own can afford it. She does not see anyone in the room that would go hungry if they pay an additional \$10 or \$20 per year in their taxes. She said people are more concerned about making a living than maintaining a standard of living. She stated that that it is important that the Board comes to a conclusion today that will help the voices of the unheard.

Chairman Perry stated that the Elizabeth City Pasquotank County Schools have always been a great school system. He added that the best way out of poverty is to educate.

After further discussion;

Motion was made by Jeff Dixon, seconded by William Sterritt, to increase the ad valorem tax rate by 1 cent in order to provide \$11,164,000 from the General Fund for the Elizabeth City-Pasquotank County Public Schools and borrow \$1,320,000 for capital projects which include roof restoration and replacements, HVAC replacements, window replacements at Sheep Harney Elementary School, and chrome books. The motion carried by a five to one vote, with Commissioner Meads voting against the motion.

The Board thanked staff for their hard work.

Motion was made by William Sterritt, seconded by Frankie Meads to adjourn the meeting. The motion carried unanimously.

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CHAIRMAN

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CLERK TO THE BOARD