

Hamlet, North Carolina
August 27, 2024

The Richmond County Board of Education met in a quarterly work session on August 27, 2024, at 5:00 p.m. The meeting was held at the Central Office in Hamlet, North Carolina.

The members present: Cory Satterfield, Chairman, Bobbie Sue Ormsby, Vice-Chairman, Jerry Ethridge, Ronald Tillman, Scotty Baldwin, and Bess Shuler. Daryl Mason was absent.

The administrators present: Dr. Joe Ferrell, Superintendent, Dr. Julian Carter, Associate Superintendent of Auxiliary Services of Operations and Athletics, Dr. Kate Smith, Assistant Superintendent of Curriculum and Instruction, Melvin Ingram, Assistant Superintendent of School Safety and Support Services, Dr. Tesha Isler, Executive Director of Human Resources, Dawn Jordan, Executive Director of Finance, Cameron Whitley, Executive Director of Communications, Steven King, Director of Maintenance, Benji Parsons, Director of Transportation and Eva Dubuisson, Board Attorney.

Meeting Commencement

After noting that a quorum was present, Cory Satterfield, Chairman, called the meeting to order at 5:06 p.m.

Audit Presentation

Mr. Dell Smith, the district auditor, presented the financial statement for June 2024. He reported that the district had assets in cash and cash equivalents totaling \$3,344,024, with liabilities amounting to \$571,606. After subtracting the total liabilities from the total assets, the district's fund balance stood at \$2,826,480 as of June 30, 2024. This represents a decrease of approximately \$908,000 compared to the fund balance reported on June 30, 2023, indicating that the district utilized roughly that amount of cash over the past year.

The audit presented last year indicated a decrease in the fund balance of about \$1.1 million. Over the past two years, the fund balance, or essentially the cash in the bank, has decreased by approximately \$2 million. However, in the two years prior (2021 and 2022), during the initial period of COVID-19 funding, the district was able to add around \$1.7 million to the fund balance. When considering the last four years combined, the fund balance has decreased by about \$300,000. While this long-term perspective shows a less alarming trend, the significant decreases of \$1.1 million and \$900,000 in each of the last two years are concerning.

Mr. Smith noted that the \$900,000 decrease is likely due to recurring expenditures within the budget. He advised that the district should explore ways to reduce these recurring costs in order to preserve the current fund balance. Although the \$2.8 million fund balance is a healthy level for a district of this size, continued spending at the current rate could deplete the fund balance in about three years. Mr. Smith acknowledged the difficulty of reducing expenditures, especially since 80% to 90% of school system budgets typically go toward personnel costs.

Additionally, Mr. Smith reported that both the state public school fund and the federal grants fund showed a zero-fund balance, which is normal as those funds are fully spent within the year they are received. The revenue fund had a fund balance of \$1,222,868, with the majority of this balance being restricted for various grants. The capital outlay fund had \$1.9 million, and the combined cash in the bank for all individual schools amounted to a fund balance of \$696,316.

Mr. Smith also reported that the child nutrition program incurred a loss of \$475,603 in the 2023-2024 fiscal year, a significant shift from the \$131,000 profit it made the previous year. This loss was

due to rising costs for food supplies, increased salaries and benefits, and reduced federal reimbursements. As a result, the program's cash balance decreased by \$594,000, leaving it at \$1.1 million as of June 30, 2024. The auditor warned that if spending continues at this rate, the program's cash reserves could be exhausted within two years. He recommended finding ways to cut costs, boost revenues, or a combination of both.

Financial Concerns

Dr. Ferrell expressed concerns since becoming superintendent and provided an overview of the district's financial actions, starting with the year before COVID-19. In 2019, Richmond County Schools had a fund balance of approximately \$3.1 million, of which \$109,765 was used to balance the budget. In 2020, \$42,636 of the fund balance was used. The district then added nearly \$1.5 million to the fund balance during the initial COVID-19 period due to increased funding, bringing the total to \$4.8 million by 2022.

However, the following year in 2023, the district used \$1 million of the fund balance, and in 2024, an additional \$908,000 was spent. At this rate, the district would exhaust its fund balance within three to four years, which is unsustainable. Dr. Ferrell highlighted several factors contributing to this situation:

1. **Overtime Costs:** In the 2023-2024 school year, the district spent approximately \$240,000 on overtime, largely due to dual positions (e.g., custodians also working as bus drivers). This overtime pay is essential but unsustainable, and efforts must be made to reduce it.
2. **Utility Costs:** A 9.3% increase in utility costs since the 2018-2019 school year.
3. **Substitute Teacher Costs:** A 102% increase in substitute costs from 2018-2019 to 2023-2024, largely due to increased pay and the need to cover vacancies left by retirees.
4. **State Funding Cuts:** Reductions in ADM funding and other state cuts have impacted the district's budget.
5. **Insurance Costs:** General liability, property, vehicle, and workers' compensation insurance costs have increased by 51.96%.
6. **Charter School Payments:** A 134% increase since 2018-2019 due to the requirement to pay virtual academy students at the same rate as charter schools.
7. **Health Insurance:** Costs have risen from \$5,984 per employee in 2018-2019 to \$8,557 in 2024-2025. Retirement contributions have also increased significantly, from 16.54% of salary in 2018-2019 to 24.4% in 2024-2025.

To address these issues, Dr. Ferrell noted that the district has implemented several cost-reduction measures, including reducing the number of buses, cutting staff positions in Exceptional Children, evaluating the necessity of filling vacant positions, and urgently addressing overtime due to dual-positions.

Dr. Ferrell and the board acknowledged that addressing overtime will not be popular and may result in calls from affected employees, but they recognize that it is necessary to control costs. There was also discussion about the need to clearly communicate with affected staff about any changes, especially since many depend on this income.

Dr. Ferrell concluded the conversation by noting that additional measures to save money, both small and significant, will be brought forward in future discussions.

Facility Study

Dr. Ferrell began the facility study discussion by addressing the capacity of each school in the district versus their average daily membership (ADM). According to the facility study, all schools in the district are under capacity. Specifically, the district has approximately 600 unfilled seats in its elementary schools and 500 unfilled seats in its middle schools.

Dr. Ferrell reminded the board about the different scenarios that Jim Watson included in the facility study and discussed at the Facility Study work session. He then added the ADM details to the scenarios:

- **School Closure and Redistricting:**
 - Close the smallest elementary school (West Rockingham), which currently has an ADM of 287 students, and redistribute the students to other elementary schools.
 - Close the smallest middle school (Ellerbe Middle), which currently has an ADM of 205 students, and redistribute the students to the remaining three middle schools.
- **Repurposing Facilities:**
 - Relocate an aging elementary school (possibly Monroe Avenue Elementary) to the Ninth Grade Academy after transitioning it to Richmond Senior High School.
 - Relocate all of Pre-K to Ninth Grade Academy.
 - Dr. Ferrell noted that Steven King said that the building needs a \$2 million roof, so it may not be worth keeping that facility.
- **New Facility Construction:**
 - Close two aging facilities and construct a new school (either elementary or middle) to replace them.
 - Build a new facility through the Capital Needs Grant to replace one of the older elementary schools like LJ Bell or Fairview Heights.

Eva Dubuisson explained that before closing or consolidating schools, the board must complete two steps as required by statute: conduct a study covering cost savings, geographic conditions, changes in enrollment, the cost of moving into other facilities, and the hardship on affected people. The study does not need to be done by consultants. If the board wants to proceed after the study is complete, a public hearing must be held for each option being considered. Only after these steps can a final decision be made.

Board members questions, comments, and suggestions

- Several board members requested to know exactly how much it would cost and how much it would save the district if any of the scenarios were implemented.
- Bobbie Sue Ormsby asked if we are we considering future projections for population movement into and out of Richmond County?
 - Dr. Ferrell stated that the facility study examined projections and noted that the district is observing a steady decline in enrollment—consistent but not rapid.
- Scotty Baldwin stated redistricting students from the northern part of the county may result in significantly longer bus rides, potentially up to three hours daily.
- Bobbie Sue Ormsby was unaware that Monroe Avenue Elementary School needed a \$2 million new roof.
 - Dr. Ferrell responded that Steven King recently shared this information.
- Ronald Tillman suggested it might be beneficial to either construct a new building from the ground up or expand the existing Mineral Springs Elementary School to combine it with Ellerbe Middle School into one K-8 school, as this would perfectly meet the needs of the Ellerbe community.
 - Several board members agreed that this was a great idea and that it would make the community happy.
- Ronald Tillman suggested that maybe we should consider consolidating Monroe Avenue School and Fairview Heights into one brand new elementary school to serve the Hamlet area.
 - Several board members agreed that this was a great idea.

- Chairman Satterfield stated that if we choose to delay action, the longer we wait, the more expensive construction costs will become.

Dr. Ferrell sought clarification from the board, saying, "So what I'm hearing from you all is that you want us to move forward by gathering information on the school scenarios presented tonight. Specifically, you're requesting a cost analysis to determine how much it will cost us, as well as potential savings in areas like maintenance, utilities, and other related expenses?" The board agreed that this is the information they need before moving forward with any decisions.

There being no further business, on a motion by Scotty Baldwin, seconded by Bobbie Sue Ormsby, Chairman Satterfield adjourned the meeting at 6:55 p.m.