

MINUTES
JOINT MEETING OF THE TRANSYLVANIA COUNTY BOARD OF
COMMISSIONERS & TRANSYLVANIA COUNTY BOARD OF EDUCATION
December 28, 2009 - Transylvania County Library, Rogow Room

The Transylvania County Board of Commissioners met jointly with the Transylvania County Board of Education on Monday, December 28, 2009 at 7:00 p.m. in the Rogow Room at the Transylvania County Library for the purpose of discussing a Financing Installment Agreement for Qualified School Construction Bonds (QSCB) and allocation of interest expenses.

Commissioners present were Lynn Bullock, Chairman Jason Chappell, Mike Hawkins, Daryle Hogsed, and Vice-Chairman Kelvin Phillips. Also present were County Manager Artie Wilson, County Attorney David Neumann, Finance Director Gay Poor, and Clerk to the Board Trisha Hogan.

Board of Education members present were Sue Fox, Vice-Chair Tawny McCoy, Sheila Norman, Cindy Petit, and Chairman Chris Whitmire. Also present were Superintendent Dr. Jeff McDaris, Business Director Norris Barger, and Executive Assistant Jenny Hunter.

Media: *Transylvania Times* – Mark Todd

There were approximately 50 people in the audience.

WELCOME/CALL TO ORDER

Chairman Jason Chappell presiding called the Board of Commissioners' meeting to order at 7:02 p.m. and welcomed everyone to the meeting.

Chairman Chris Whitmire presiding called the Board of Education meeting to order at 7:03 p.m.

INTRODUCTION OF BOARD MEMBERS & STAFF

Superintendent Dr. Jeff McDaris introduced the members of the Board of Education and staff in attendance. Chairman Chappell introduced the members of the Board of Commissioners and staff in attendance.

PRESENTATION BY BOARD OF EDUCATION

Dr. McDaris showed a Power Point presentation highlighting the historical context of Career and Technical Education (CTE) in Transylvania County and how it enhances economic development. Dr. McDaris also stressed to the Board of Commissioners that Transylvania County Schools has no method of generating revenue. He said cost sharing proposals represent a cut to educational spending and the school system is completely dependent upon federal, State, and local monies. He shared some pictures of the current CTE building showing the wear and tear on the facility and its inefficiencies. Dr. McDaris urged Commissioners to make an investment in a new facility for Rosman.

REVIEW OF FINANCING AGREEMENT WITH BB&T AND OPTIONS ON COST ALLOCATION

The Manager said when the two Boards met in July to discuss a new CTE building, the Board of Education proposed a 10,500 square foot facility at a cost of approximately \$1,298,000. At that time, the Board of Education proposed accessing funds from the Qualified School Construction Bonds at a payback of 0% interest. Over the next several months, staff found it was very difficult to access these funds at 0%. County staff went out for bids on the \$1,298,000 and only one bank was interested in helping the County. BB&T agreed to loan the County the funds at a 2.09% interest rate and a payback over 12 years. The total payback is \$1,474,081.37. The Board of Commissioners discussed payback options at their previous meeting. The Manager noted that both Boards had previously agreed to split the payback cost 50-50 when the interest rate was thought to be at 0%. The question now is how to fund the project. The County must respond to BB&T this week if the County wishes to move forward.

The Manager said if the County and the Board of Education agree to split the cost 50-50, the payback for each would be \$737,040.72 over the 12 year loan. The County had originally agreed to this payback option when the interest rate was 0%. If the County sticks to its original payback plan and only pays the principal on the loan, the County would pay back \$648,889 and the Board of Education would be responsible for approximately \$825,000 over the 12 year period. The Manager said the County's concern is this is not the same project the Board of Education submitted to the County in July because of the interest rate and because since July the Board of Education has increased the size of the facility from 10,500 square feet to 15,000 square feet. The Manager also expressed concern about the possible increased cost of the facility due to the added square footage. He said he is hopeful the QSCB funds will be available next year and said the discussion between the two Boards tonight should center on the financing proposal.

Dr. McDaris confirmed that the building size has increased to 15,000 square feet in order to make sure everything necessary is included in the new facility. He said the Board of Education's request for funding remains at \$1.297 million because that is all they are eligible to receive under the QSCB. The project has not been bid, so he does not know if the project can be completed for this amount. He noted if the schools have to build the new facility at this cost; the building will shrink in size because all the programs will not be able to be housed there.

DISCUSSION/DECISION ON FINANCING AGREEMENT AND COST SPLIT BETWEEN THE BOARD OF EDUCATION AND COUNTY

Chairman Whitmire stressed the importance of the facility to education. He said if this facility is delayed the problems with it will persist and furthermore it may become more expensive in the future. He pointed out that the current CTE facility serves most of the Rosman Middle and High School students and the courses they take in this facility prepare them for college and the workforce. Chairman Whitmire said the Board of Education has completed many projects under budget and he hopes the County will take advantage of the current building climate and possibly hire local contractors to pump monies back into the economy. He pointed out the Board of Education can not raise its own revenue. He also pointed out the school system reduced their capital 44% to help the County and save jobs. He said Transylvania County has a wonderful school system and he wants it to remain that way and the Board of Education will continue to be good stewards of taxpayer dollars.

Commissioner Hawkins said while he understands the Board of Education's frustrations about the funding for this project, he is concerned that the project has grown to a 15,000 square feet

building at an estimated cost of \$1.65 million which the County was just informed about recently. He is concerned about finding a way to pay for the new facility.

Commissioner Hawkins said both Boards need to look at the big picture. He said as a Commissioner he wants to make decisions that will position the County to function effectively in the environment it will be faced with over the next 20-25 years (slow growth, constricted tax base, an aging population, increased demands on certain services, and increased State and federal mandates). The County has to be efficient in how it spends taxpayer money. Commissioner Hawkins said he does not question the need for a new facility, but he said he would like to see how this facility fits in strategically in serving the CTE population over the next 25+ years. He stressed that he wants to make this project work and asked if the growth in size and the resulting increase in cost is a facilities decision or programming decision. He hopes it is a programming decision and he would like to see how this facility will serve the student population well into the future. Commissioner Hawkins also asked if the Board of Education has considered other options such as building a facility to serve the needs of both high schools and partnering with Blue Ridge Community College.

Dr. McDaris said the current facility programs include agriculture education (farming, green industries, environment and natural resources), health occupations, trade and industry (construction, green construction, affordable housing), welding (engineering metal fabrication) and he briefly explained how each pertains to the County and surrounding areas. He said some programs, such as health occupations, are bound by the Division of Facilities Management in Raleigh by teacher/student ratios and often some students have been turned away from these programs. He said a building that serves both high schools has been considered but there still remains a need for teachers, students and classrooms and the cost of purchasing land is extremely high. He said neither high school can absorb both programs and students. He supports building the new facility at Rosman High because of what the programs and schools represent by having two separate entities. He said having programs at both schools expands leadership opportunities for students and he believes this building will be a sound investment in the County's future and its economic development.

Chairman Whitmire added that the Board of Education has done its best to be efficient with their operations and believes the concept of consolidation is inappropriate at this point because of the many logistical considerations. He said the main point is that the County and the Board of Education have an opportunity to get an optimal interest rate on a loan. He offered the option of drawing down the fund balance. He said the facility is a need and the current facility was built to serve fewer students than use it today and the building is beyond its reasonable use. The Board of Education has not had an opportunity until July of this year to pursue funds to build a new facility. Chairman Whitmire said every staff member who had a stake in the new facility was part of the planning process. He thinks the building can be built for the loan amount, but said he would not short change the students in order to do so.

Chairman Chappell asked about what programs would not go into the facility if the building size were reduced. Dr. McDaris said the Board of Education would have to look at what programs complement one another as far equipment, style of program, dust, grease, noise, etc. before making that decision.

Commissioner Hogsed said the County would love to do more for education but the County's resources are limited, just as the Board of Education's resources are limited. In spite of that, he said on a per student basis, Transylvania County ranks 10th highest in spending, 9th highest in current spending, and 17th highest in capital spending, in spite of the recent reductions, when

compared to other counties in the State. He also pointed out that 30% of the County's budget is spent on education. He feels both Boards have good working relationships and he feels this issue is something both Boards need to work together on for the benefit of the students. Chairman Whitmire said the Board of Education has been generous in agreeing to pay for half of the principal and can not afford to delay other projects. He again pointed out that the Board of Education can not generate its own revenue.

Chairman Chappell expressed the importance of the CTE building project to him personally because his livelihood is in workforce development. He said he is strongly against granting the Board of Education taxing authority. Chairman Chappell noted that the priority of this Board and previous Boards has always been education because education is tied to workforce development, economic development, etc. He said the County can not produce additional revenue, although it has the authority to set the tax rate. He commented about some of the County's new facilities including the library and Public Safety Facility. The library was funded through public and private funds and grant funds. The Public Safety Facility involved a long process of prioritizing funds to construct that facility.

Commissioner Hogsed said he supports the CTE building because it has been a need for quite some time and the Board of Education is fortunate the County is considering this project in the current economic climate. The County's role is to support the Board of Education and be responsible to the taxpayers. Commissioner Hogsed referred to a comment made in a recent newspaper article which stated the Board of Education believes sharing the cost of this project actually reduces the money they receive the County. He asked for explanation on the logic behind those comments. Dr. McDaris said when the school system receives local monies and then in turn has to reduce the amount of money they were going to use for other projects, that is a cost reduction. Commissioner Hogsed noted the County has agreed to share half the cost of the project as well. Chairman Whitmire said while 2.09% is a good interest rate; he suggested that the County draw down funds from its Fund Balance to pay for the project, saving \$177,000 in interest payments, and essentially self finance the project. Chairman Chappell said the County's Fund Balance consists of designated and undesignated funds and pointed out the County had to borrow over \$700,000 just to balance the budget this year and next year is expected to be worse.

Commissioner Hawkins said the County has to maintain an undesignated Fund Balance of 8% which he sees uses for in the short term. The weakness for the County is that it has to be systematic in setting a limit for the Fund Balance. If there are surplus funds available, both Boards should collaboratively discuss how those funds might be used in the future. He pointed out the root of the concern for the County is the time pressure. The County has to respond to BB&T by Thursday of this week. He said the time pressure issue has been the case throughout this process. Whenever there are these types of deadlines, it raises the chances of making decisions that are poorer than if there were more time to process the information. Commissioner Hawkins said there will be an opportunity to access the QSCB funds in 2011 and he questioned the urgency. He suggested making this project a FY 2011 objective because it gives the Board of Education time to continue refining the program, gives both Boards time to understand how much the facility is going to cost, and allows time for both Boards to work together to create a funding plan.

Board of Education member Tawny McCoy pointed out that when the two Boards met in July they agreed to share the cost of the principal repayment and all that should be determined at this meeting is how the interest is repaid. She pointed out that neither Board had any control over the change that occurred with the interest rate since the Boards last met in July.

Commissioner Hawkins responded that the size of the building has changed and if it can be built for the \$1.297 million then there is no issue. He said a building of this size can not be built for \$1.297 million. Chairman Whitmire said the Board of Education has only asked to borrow \$1.297 million minus the closing costs. He urged the County to take a further look at the purpose of its Fund Balance. He also again pointed out the competitive building market, etc. and asked the Board of Commissioners to act on this opportunity because there is nothing more important than providing an excellent education to students.

Commissioner Bullock agreed with the importance of the facility and its programs. The unfortunate matter is that the size of the building has increased from the original proposal and the interest rate increased from 0% interest to 2.09%. He pointed out that the County is facing more financial pressure with increased State and federal mandates and other budget losses and said that education is only one component of the County's budget. However, he believes the CTE project is worthwhile and he does not want to see it fail.

Dr. McDaris questioned the reasoning behind the deadlines set by BB&T. The Manager said BB&T set the deadline for December 31, the end of the calendar year, because it has no authorization at this time to offer this type of agreement in 2011. The County is also trying to meet the schedule of the Local Government Commission (LGC). The goal is to submit the application to the LGC for review at their January meeting and approval at their February meeting. This allows for the Board of Education to begin construction on the facility in the spring of 2011.

Commissioner Phillips said the County has been committed during each of its budget processes to do the best it can for the school system. He noted the Board of Commissioners has continually asked County departments to cut their budgets and some critical departments such as EMS can not reduce their budgets any further. He pointed out the Board of Education also has a Fund Balance and he asked if they intend to use a portion of that for this project. Furthermore he inquired about what programs would be cut if the building size were reduced significantly. Dr. McDaris said if the Board of Education had to cut programs they would have to evaluate all the programs and determine which programs complement each other. If it is determined the facility can not be constructed, the Board of Education would have to make some serious renovations to the current facility. If the bids come in at the estimated cost of \$1.65 million, the Board of Education may have the ability to fund the additional costs through lottery funds, Fund Balance, etc., but it would have to be a decision made by the Board of Education.

Chairman Whitmire said it is important to first go through the bid process and noted that some costs could possibly be reduced through some of the building material. As far as funding, he said the lottery funds are not a guarantee and the school Fund Balance is much smaller compared to the County. However it becomes a matter of this project moving forward, the Board of Education will consider any and all options posed by the Board of Commissioners.

Commissioner Hogsed moved to approve Scenario 2 that was posed at the previous meeting which states:

The County and School split 50% of the cost. County and Schools: \$67,655.56 each for the first years and then the amount goes down. This averages \$61,490.27 for each per year. The County's and School's share of interest over the 12 years would be \$88,994.25 or \$7,416.19 per year on average.

The motion was seconded by Chairman Chappell. Commissioner Hawkins said he believes it is unwise to proceed with this project because the cost is unknown and no decision has been made to deal with any cost overruns. Commissioner Phillips said he supports the project but he is also concerned because the project seems to be fluid at this point. He said he has never agreed to do a project with so many unknowns. Commissioner Hogsed said he believes the concerns expressed by Commissioners Hawkins and Phillips are a responsibility of the Board of Education. Commissioner Hawkins agreed it is their responsibility up to the \$1.297 million, but beyond that it becomes the County's responsibility. He again said it is unwise to move forward without understanding the cost and how it should be paid. **The motion passed 3 to 2, with Commissioners Hawkins and Phillips voting against.**

Ms. McCoy moved to authorize the Board of Education to fund half the principal and half the interest in accordance with the Board of Commissioners' motion. The motion was seconded by Sheila Norman. Board of Education members thanked Commissioners for their support and for providing students with this opportunity. Chairman Whitmire pointed out the Board of Education will not know the cost of the facility until the bids are received; however they will make sure they get everything they can out of every dollar. It was noted that the administrative costs are included in the loan amount. **The motion was unanimously approved.**

PUBLIC COMMENTS

Jackie Hovey: Ms. Hovey thanked both Boards for taking the time to address this issue because the children deserve an adequate facility.

Tammy Moman: Ms. Moman said she has been unable to teach some much needed courses because of inadequate facilities.

CLOSING REMARKS

Chairman Whitmire thanked the Board of Commissioners for this meeting and thanked the members of the audience for their participation. He also invited anyone who wishes to visit the current facility.

Dr. McDaris thanked the Board of Commissioners for this process and interaction. He also thanked the Board for agreeing to move forward with this project.

Commissioner Hogsed said he is confident this project will work and that the students and staff will greatly benefit.

Commissioner Phillips said he supports this project and he hopes it is done right and he is confident that will happen.

Commissioner Hawkins agreed that the project needs to be done right and take care of the needs of the students for the foreseeable future. He said it is important that both Boards communicate effectively with each other which will be especially important during the budget process. He suggested that staffs from both entities begin meeting to discuss the budget process as soon as possible.

ADJOURNMENT

Ms. Norman moved to adjourn the Board of Education's meeting, seconded by Chairman Whitmire and unanimously carried.

Commissioner Bullock moved to adjourn the Board of Commissioners' meeting, seconded by Commissioner Hawkins and unanimously carried.

Jason R. Chappell, Chairman
Board of County Commissioners

ATTEST:

Trisha M. Hogan
Clerk to the Board