

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
April 24, 2017 – REGULAR MEETING

The Board of Commissioners of Transylvania County met in regular session on Monday, April 24, 2017 at 6:00 p.m. in Commissioners Chambers at the County Administration Building, located at 101 S. Broad Street, Brevard, NC. The first half of the meeting was a joint meeting with the Board of Education. The change in meeting time was properly advertised and posted.

Commissioners present were Chairman Larry Chapman, Jason Chappell, Mike Hawkins, Vice-Chairwoman Page Lemel and Kelvin Phillips. Also present were County Manager Jaime Laughter, Finance Director Gay Poor, County Attorney Tony Dalton, and Clerk to the Board Trisha Hogan.

Present for the Board of Education were Chairwoman Tawny McCoy, Vice-Chairman Ron Kiviniemi, Marty Griffin, Betty McGaha, and Alice Wellborn. Also present were Superintendent Dr. Jeff McDaris, Director of Business Services and Plant Operations Norris Barger, Board Attorney Chad Campbell, and Administrative Assistant Jenny Hunter.

Media: *The Transylvania Times* – Derrick McKissock

There were approximately 50 people in attendance.

CALL TO ORDER

Chairman Larry Chapman presiding over the Board of Commissioners declared a quorum was present and called the meeting to order at 6:03 p.m.

Chairwoman Tawny McCoy presiding over the Board of Education declared a quorum was present and called the meeting to order at 6:04 p.m.

WELCOME

Chairman Chapman welcomed everyone to the meeting and thanked the members of the public for participating in their local government. He introduced Commissioners and staff in attendance.

Chairwoman McCoy welcomed everyone to the meeting as well and thanked the Board of Commissioners for agreeing to hold a joint meeting. She introduced Board of Education members and staff in attendance.

PUBLIC COMMENT

The public was informed they could address their comments to either the Board of Commissioners or Board of Education.

Don Surette: Mr. Surette spoke on behalf of the French Broad River Stewards. He invited everyone to attend the Upper French Broad Riverfest on Saturday, June 24 in Rosman. There will be several activities going on throughout the day. Mr. Surette also welcomed interested vendors and sponsors.

AGENDA MODIFICATIONS

There were no agenda modifications.

Commissioner Lemel moved to approve the agenda as submitted, seconded by Commissioner Chappell and unanimously approved.

WORKSHOP

JOINT MEETING WITH TRANSYLVANIA COUNTY BOARD OF EDUCATION

Presentation of Master Facility Plan & Conceptual Funding

Superintendent of Transylvania County Schools Dr. Jeff McDaris introduced Architect Chad Roberson with Clark Nexsen. The School System contracted with this firm to conduct a school facilities assessment. This is Mr. Roberson's presentation, followed by summary of the Q&A session that followed.

Mr. Roberson reported that the assessment process included visiting all schools within the system and conducting an analysis based on the Department of Public Instruction's space parameters and guidelines (not requirements). It also included an evaluation of existing programs in place and comparing those with the guidelines to determine if deficiencies existed. The architects also performed a site analysis to identify possible site deficiencies. Following the analysis, they reviewed options for those facilities in order to bring them within DPI's parameters and guidelines, to include a combination of renovations, renovations and new construction, and new construction.

Mr. Roberson stated he will be talking throughout his presentation about the cost of construction and how the cost of schools has grown over the last few years. He reported that in 2009 the cost of school construction was \$127/sq. ft. In 2014 that figure had grown to \$203/sq. ft. This represents a 60% increase in the cost of construction. Current construction costs are expected to exceed that figure. Mr. Roberson pointed out these figures were obtained through DPI.

Mr. Roberson further reported that the average cost of an elementary school is expected to jump over 80% from 2009 to 2020. The average cost of a high school will increase over 70% from 2010 to 2020. He noted that DPI's typical space profiles are assigned a certain value based on student populations. For example, for a student capacity of 800, DPI will provide parameters for the number of classrooms needed per subject (English, science, etc.) and the design/square footage of the classrooms, and recommend a core size for 1,000 students to allow for growth. The architects used these profiles to conduct their assessment and to recommend options for improvements.

Next Mr. Roberson provided a summary of the assessments completed for each school facility. His report identified major areas for repairs and renovations, future areas needing improvement, and estimated project costs for each.

Brevard Elementary School

- Major areas for repairs and renovations
 - HVAC replacement
 - Lighting upgrades
 - Fire ratings in corridors
 - Security
 - Exiting through intervening spaces
- Future areas needing improvement
 - Parent drop off
 - Site work to address water flow
 - Corridor reconfigurations
- Total project cost \$4.9 million

Brevard High School

- Site constraints; comprised of several pieces of property
- Challenge is that the facility must be maintained while under construction
- Major areas for repairs and renovations
 - Replacement of mechanical and electrical systems
 - Replacement of old gym
 - Replacement of cafeteria dining space
 - Window replacements throughout
 - Kitchen replacement in the CTE classrooms
 - Repair and replacement of bleachers; paint and lights in new gym
 - Construct new locker rooms, concession, and field house at football field
- Future areas needing improvement
 - Parking
 - Construct new Fine Arts Building
- Areas of concern
 - Cost of renovations vs. building new
 - Staging and cost for modular buildings during renovations
- Total project cost \$42.6 million

Brevard Middle School

- Some property not contiguous to existing properties
- Major areas for repairs and renovations
 - Mechanical renovations
 - Science labs (DPI mandates design and size of science labs)
 - Handicap accessibility
 - Carpet replacement in corridors
 - Windows and doors
 - Relocate transformer and address entrance
 - Address site slopes that are failing along south entrance road
- Future areas needing improvement
 - Art room needs kiln and plumbing
 - Address staff toilets
- Areas of concern
 - Aging systems – planning for long term maintenance
- Total project cost \$2.89 million

Davidson River School

- Another piece of property that is not contiguous to existing property
- Modifications recommended
 - Electrical upgrades
 - Handicap accessibility modifications
 - Replace paneling with drywall
 - Sprinkler installation
 - Minor improvements in toilet rooms
- Total project cost \$644,638

Pisgah Forest Elementary

- Newer facility in comparison to others
- Modifications recommended
 - Expansions to increase core capacity

- Exterior painting, replace columns, gutters and downspouts
- HVAC upgrades due to age of building
- Address accessible bathrooms
- Total project cost \$5.5 million

Rosman Elementary School

- Modifications recommended
 - Interior and exterior painting
 - Reconfiguration of office space (common theme throughout for security purposes)
 - Architectural upgrades due to age of building
 - HVAC upgrades due to age of building
 - Plumbing upgrades due to age of building
 - Electrical upgrades due to age of building
 - Address accessible bathrooms
- Total project cost \$8.8 million

Rosman Middle School and Rosman High School

- Site is challenging because of steep slopes
- Concern with how to stage facilities so they remain operational during construction process
- Modifications recommended
 - Replace middle school with new high school
 - Mechanical, electrical and plumbing renovations
 - General construction renovation for middle school
- Total project cost \$25.3 million

TC Henderson Elementary

- Modifications recommended
 - Mechanical upgrades
 - Handicap accessibility modifications to toilets; additional toilets needed
 - Address dead-end corridors at music/art class
 - Office renovations to address security
 - Moisture infiltration repairs
- Total project cost \$1.2 million

Morris Education Center

- Modifications recommended
 - Accessibility upgrades
 - Roof replacement
 - Exterior painting
 - Fire alarm installation for business occupancy
 - Server farm/storage addition
 - Shop general renovations
 - Shop fuel containment walls
- Total project cost \$1.05 million

Mr. Roberson noted that included in the total cost for each project is an escalation factor which is based on historical data from the State. The various projects were broken out into phases with projected costs. The architects took into account how best to relocate/move students during construction and how to optimize the timing of projects in order to avoid an increase in the overall funding projection. Mr. Roberson pointed out that the continual delay of these projects will cause the total project cost to increase

due to escalation in prices and the potential for additional maintenance items to occur. This concluded the presentation.

Q&A on Master Facility Plan

Commissioners posed several questions to Board of Education members, School System staff and the architect. This is a summary of their responses to Commissioners.

- The major components of core capacity include gymnasiums, media centers and cafeterias. If a school is designed for 600 students, the core would be designed to accommodate 800. This allows for the addition of classrooms if needed in the future without making modifications to the core. Those core areas are the most expensive components of a facility. The architects reviewed space profiles for each facility to determine if there was a need to expand the core. Brevard High School is an example of where core expansion is needed because it was not designed to accommodate expansion.
- The completion of these projects is expected to reduce the County's annual capital allocation due to the installation of new and efficient windows, HVAC units, etc.; however, technology, recurring equipment and furniture costs, and ongoing maintenance and repairs are included in capital. This year out of the \$1.8 million allocated by the County, \$900,000 was spent for those purposes.
- Both Brevard High School and Rosman High School have been identified as having the most critical needs. These projects have been prioritized for phase 1. Phase 1 also includes some work to Brevard and Pisgah Forest Elementary Schools. The design and approval phase of these projects could take up to 1 ½ years.
- The current plan for Brevard High School calls for keeping the science wing, the main gym and the CTE Building. The remaining is proposed to be replaced with a new multi-story building. The cost of building a brand new school on a green-field site would be significantly higher than what is being proposed. Reusing the existing site and moving the existing student population to another location during construction reduces the cost. In today's dollars, the estimated price tag of a new school would be around \$55 million. The cost would be ascertained by first considering the space profiles recommended by DPI and then developing individual programming for each of the schools.
- Clark Nexsen normally develops systems that will last a minimum of 25 years. Realistically, the buildings will be expected to last 40-50 years just as the current facilities have, but that does not preclude general maintenance associated with those facilities.
- DPI provides a clearinghouse of information related to school construction costs. It is probably possible to sort the information to obtain a fairly good estimate of costs in the WNC region versus the rest of the State. It is generally more expensive to build in WNC because of terrain and utility issues.
- Additional operating costs are expected with additional square footage. Mr. Barger intends to provide Commissioners with the total square footage they anticipate adding across the project as a whole. There is also the possibility of additional operating costs during construction, although it is the School System's desire to use existing buildings to relocate students during construction.
- Several factors drive cost escalation: technology, raw materials, etc.

- The dollar figures assigned to each project are total project costs, to include construction, computers, furniture, construction manager-at-risk, etc.
- NC State University was commissioned to conduct a study a few years ago on future student population projections. Based on their report, the school population is predicted to drop slightly, assuming the economy remains flat. If economic growth occurs, the calculations increase.
- Each project has been assigned a timeline for beginning and ending construction. The timeline calls for the architectural and engineering work to be completed prior to each individual project commencing, not in its entirety.
- The project summary indicates seven of the nine projects are spread across two phases. It would be difficult to pull these out as standalone projects based on the timeline.
- If citizens are not willing to support the full \$93 million in requests, the Board of Education would need to prioritize projects based on individual school needs and available funding. It is the responsibility of the Board of Education to educate the citizens about the needs. If citizens consider that the estimated cost of renovating the Courthouse is \$16-20 million, then the figure of \$93 million for eight different buildings should not come as a shock.
- The first iteration of a bond referendum was projected at \$118 million, but has since been reduced to \$93 million. The major factor in the reduction of \$25 million was moving up the start of the process and shortening the timeline into three-four years which shows how significant the escalation factor is in determining the project cost. In addition, they removed items already completed in their normal capital outlay budget provided annually by the County. Thirdly, reductions were realized with the decision to renovate some buildings rather than building new ones.
- Being these projects are of considerable size, they will attract a larger bid contractor pool and allow for the completion of the projects within the three-four year time frame. The construction contract would include penalties for late delivery of product.
- Neither the Board of Education nor the Superintendent supports the consolidation of the two high schools. Nonetheless, this would be a decision by the Board of Education, not the Board of Commissioners, and this should be emphasized to the public. Reasons cited against consolidation:
 - Does not consider future growth in the community despite current economic conditions
 - Both high schools are important to the economy of their respective communities and consolidation disrupts their economies
 - Loss of State funding for some positions
 - Neither one of the existing campuses is prepared to handle increased parking, traffic, etc.
 - Increased transportation costs due to longer bus rides; bus rides for special education students cannot be longer than the bus rides for regular education students
 - A new high school campus site averages 80-85 acres or more
 - Community identity is lost
 - Loss of leadership: valedictorian, salutatorian, clubs, competitions
 - Would have to build new stadiums and facilities
 - New uniforms, colors, branding, etc.
 - Does not necessarily increase access to programs because this is already being achieved through technology

- Loss of community pride that can never be recaptured
 - Will not save money
- The current facilities are limited in the types of programs that can be offered. Upgrades in technology are crucial. Schools are being asked to do much more than they once did. Research has shown that the design and structure of a facility can profoundly influence learning. It was pointed out that the renovation of the old library for County Administration and the old jail for Elections has made County government better. The Board of Education wants students to have the opportunity to attend schools that are safe and they can be proud of.
 - The cost estimates include additional site requirements, such as water retention.
 - The School System has not yet decided if they will request one single bid for the entire project or individual bids for each project. In the past, one contractor has completed more than one project at one time. Smaller projects will more than likely attract local workers. The larger projects will attract larger contractors and more interest. These are issues that will need to be flushed out when the time comes to move forward.

There were no further comments. The Boards moved into the next part of the presentation.

Demonstration of Capital Planning Model

The Manager reported that last fall David Cheatwood with First Tryon Advisors in Charlotte met with Commissioners to discuss capital project planning in general, but particularly the list of capital projects Commissioners anticipate on the horizon. These include projects for infrastructure, economic development, parks and recreation, court facilities, education and EMS. Although counties are allowed by the State of North Carolina to provide infrastructure and economic development, parks and recreation, and EMS, counties are not mandated to do so. Counties are however mandated by the State to provide court and education facilities. During that fall meeting, Mr. Cheatwood reviewed the model his firm developed to show the County options on how to pay for these capital projects. The capital planning model is dynamic and interactive and automatically shows the impact to counties as projects and various funding scenarios are plugged into it.

Mr. Cheatwood's presentation included a review of all the projects and the two main financing options the County has to fund those projects and some of the characteristics of each. He also touched briefly on the repayment sources the County has available, followed by a financial analysis, which are all based on assumptions in terms of amounts, timing, etc. This is a summary of the presentation with questions and comments noted throughout:

Projects Under Consideration

Project	Estimated Project Cost
Courthouse (renovation / addition)	16,000,000 - 24,000,000
EMS Station	1,600,000
Parks and Recreation Facilities	
Community Park / Sports Complex	8,000,000
Multi-Generational Recreation Center / Neighborhood Park	19,000,000
Miscellaneous Projects	2,100,000
Water & Sewer	10,000,000
School Facilities (see below for breakout)	93,200,000
Total	149,900,000 - 157,900,000

*\$16mm-\$24mm

For the \$93,200,000 in School Facilities needs, the Board of Education has provided a breakout of the projects under consideration with estimated amounts and timing for each as follows:

Project	Estimated Project Cost	Project Begin Date
Brevard Elementary	4,934,351	Q3 2019
Pisgah Forest Elementary	5,544,345	Q3 2019
TC Henderson Elementary	1,246,140	Q3 2019
Brevard High	42,664,463	Q1 2020
Rosman Middle-High	25,349,099	Q1 2020
Rosman Elementary	8,798,013	Q3 2020
Morris Education Center / Shop	1,047,446	Q3 2020
Brevard Middle	2,899,733	Q3 2021
Davidson River	644,638	Q3 2021
Total	93,128,228	
Funding Projection	93,200,000	

Available Financing Structures

- The County has two financing structures available to fund school needs
 - General Obligation Bonds (GOB)
 - Local Government Bond Act (Article 4 of Chapter 159 of NCGS)
 - Voter approval required via referendum
 - Secured by full faith, credit and taxing power of the issuing entity; pledge to raise property taxes to whatever level is needed to repay debt
 - No property lien
 - Streets, sidewalks, greenways, school facilities, courthouses
 - Strongest credit structure available to entities issuing debt
 - Lowest interest rate
 - Amortization – 20 years level principal structure per Local Government Commission
 - Lowest cost of issuance
 - Limited Obligation Bonds (LOB)/Installment Financings
 - Article 3 of Chapter 160 of NCGS
 - Security is lien on property that is being financed
 - Annual payment is subject to annual appropriation by County Board; if not repaid, investor can recoup investment by selling property
 - Schools, jails, courthouses, government buildings, convention centers, stadiums
 - No outright taxing power pledge; generally rated one or two notches below GOB rating
 - Higher interest rate
 - No voter referendum required
 - Amortization – 20 years level principal structure per Local Government Commission
 - Slightly higher cost of issuance

The timing and steps involved in the issuance process differ depending on the financing structure chosen. However, for both the GOB and LOB, the general policy of the Local Government Commission (LGC) is to have all or the large majority of bids and permits in hand prior to LGC approval and selling the bonds.

Issuance Timeline – General Obligation Bonds

- Must hold a referendum
- Referendum can only be held on a date when all precincts in the County are open (primaries / general elections)
 - Next available date for the County is March 5, 2018
- Referendum process typically starts 5-6 months ahead of the election day
 - County Board / School Board decide on projects and not to exceed borrowing amount
 - Pre-Application meeting with LGC to review projects, repayment source(s), timing, etc.
 - County Board actions (typically takes three meetings)
 - Adopt preliminary resolution
 - Introduce bond order
 - Hold public hearing
 - Adopt bond order
 - Local Government Commission approval (meets first Tuesday of every month)
 - Ballot question / materials sent to County's election office
- Upon voter approval, financing process can begin and typically takes two months
 - Prepare offering document
 - Obtain credit ratings
 - Obtain bids / permits for projects being financed
 - County Board adopts sale and issuance resolution
 - Sell bonds

Is it possible to pose more than one question on the ballot with regards to funding level? Defer to bond counsel, but probably not.

Issuance of Timeline – Limited Obligation Bonds

- Does not require a referendum so the County jumps straight to the financing process
- Financing process typically takes three months
- County Board actions (typically two-three meetings)
 - Adopt preliminary findings resolution and call for public hearing
 - Hold public hearing
 - Adopt approving resolution
- Prepare offering document
- Obtain credit ratings
- Obtain bids / permits for projects being financed
- Local Government Commission approval (meets first Tuesday of every month)
- Sell bonds

Available Repayment Sources

- Sales Tax
 - Article 39 (1 cent) used for general purposes
 - Article 40 (1/2 cent) portion reserved by County for annual ongoing school capital
 - Article 42 (1/2 cent) portion reserved by County for annual ongoing school capital
 - Article 46 (1/4 cent) not levied by County
- Property Tax
 - Approximate value of one cent in the County is \$570,900
- Fund Balance
 - County's total General Fund Balance at the end of FY 2016 was \$24,776,291
 - Of this amount, \$12,458,779 (27% of total expenditures) was unassigned

- County plans to use approximately \$3 million of this amount for economic development projects in FY 2018
- Not recommended to drain down; keep for flexibility to fund projects going forward
- Debt Roll Off
 - As existing debt is repaid, the County creates capacity to layer on new debt without increasing the tax rate
 - County's outstanding debt is low; approximately \$3.94 million in long term debt outstanding, comprised of GOB and installment financings
 - Series 2008 GOB rolling off after FY 2018, creating ability to layer on another \$600 approximately in FY 2019 with no impact to tax rate; this is a good starting point to considering scenarios

Overview of Scenarios

First Tryon has evaluated the estimated financial impact of funding the projects under the following scenarios:

- Scenario 1
 - Funds full amount of projects (\$157.9 million) over the next 10 years
 - Combination of GOB, LOB, and fund balance
- Scenario 2
 - Fund the courthouse project (\$24 million) and the school projects (\$93.2 million) over the next three years
 - LOB for courthouse project
 - GOB for school projects
- Scenario 3
 - Fund only the school projects (\$93.2 million) over the next three years
 - 20 year GOB

Scenario 1 – Overview

- Assumes County funds full amount of projects over the next 10 years with a combination of GOB, LOB and fund balance
- County has seven years to issue authorized debt under GOB; can apply for extension of additional three years
- Assumes the County pays for any debt service above its existing levels via a property tax increase
- Projections include various terms and rates

Projects Under Consideration									
1	2	3	4	5	6	7	8	9	10
On/Off	Description	Amount	Timing (FY)	Funding Type	Structure	Rate Mode	Term	Principal Deferral	Rate
On	Courthouse	24,000,000	2018	L.O.B.	Level Principal	Fixed	20	0	3.500%
On	Schools	38,000,000	2019	G.O.	Level Principal	Fixed	20	0	3.500%
On	Schools	38,000,000	2020	G.O.	Level Principal	Fixed	20	0	3.750%
On	Schools	17,200,000	2021	G.O.	Level Principal	Fixed	20	0	4.000%
On	Miscellaneous Projects	1,100,000	2020	Fund Balance					
On	Miscellaneous Projects	1,000,000	2020	L.O.B.	Level Principal	Fixed	15	0	3.500%
On	Water & Sewer	10,000,000	2020	L.O.B.	Level D/S	Fixed	20	0	4.000%
On	EMS Station	1,600,000	2022	Fund Balance					
On	Comm. Park/Sports Complex	2,000,000	2023	Fund Balance					
On	Comm. Park/Sports Complex	6,000,000	2023	L.O.B.	Level Principal	Fixed	15	0	4.250%
On	Multi-Gen Rec Ctr / Park	19,000,000	2027	L.O.B.	Level Principal	Fixed	20	0	5.000%

Scenario 1 – Tax Impact

- Based on the assumptions for the borrowing amount, timing and repayment source, the County would need to increase taxes by approximately 16.4 cents over a four-year period (FY 2019-2022) and approximately 0.3 cents in FY 2028
- If the County chose to increase taxes upfront (i.e. FY 2019) instead of over a four-year period and “maintain” the excess amount in a debt service fund, the tax increase could be reduced to approximately 13.85 cents
- To understand the chart below, start in Column 2 with the collected value of one cent and assume a tax base growth rate of approximately 1% per year. Column 3 is existing tax-supported debt service. The County’s existing debt service from property tax revenue is \$1.37 million, which equates to 2.43 cents on the current tax rate. This becomes the starting point for considering layering on new debt. Assuming the County funds all the projects, Column 6 is the aggregated amount of the debt service that will be due each year. The County would pay \$215 million over the next 20 years to fund those projects. Adding Column 6 to Column 3 equates to the total debt service shown in Column 7. There is some benefit of a roll off in FY 2019, but the County would have to generate another \$1.1 million resulting in a 2 cents tax increase for FY 2019. As the new debt comes online, more revenue is needed to pay the debt. Column 9 shows what the annual tax increase would be per year going forward.

1	2	3	4	5	6	7	8	9
Fiscal Year	Collected Value*	Existing Tax		Revenues	Proposed Tax		Revenue Required	Required Tax Increase
		Supported Debt Service	Current Cost of Existing Debt	Generated from Current Tax Rate	Supported Debt Service	Total Debt Service (New and Existing)		
2017	565,319	1,371,018	2.43	1,371,018	-	1,371,018	-	-
2018	568,045	1,066,159	-	1,377,629	-	1,066,159	-	-
2019	573,725	511,701	-	1,391,404	2,040,000	2,551,701	1,160,297	2.02
2020	579,463	498,043	-	1,405,320	5,228,000	5,726,043	3,148,822	5.43
2021	585,257	484,385	-	1,419,371	9,281,984	9,766,369	3,983,072	6.81
2022	591,110	470,727	-	1,433,566	10,647,901	11,118,628	1,254,588	2.12
2023	597,021	348,921	-	1,447,902	10,431,418	10,780,338	-	-
2024	602,991	241,370	-	1,462,380	10,869,934	11,111,304	-	-
2025	609,021	139,982	-	1,477,004	10,636,451	10,776,432	-	-
2026	615,111	136,800	-	1,491,774	10,402,968	10,539,768	-	-
2027	621,262	133,619	-	1,506,691	10,169,484	10,303,103	-	-
2028	627,475	130,438	-	1,521,759	11,836,001	11,966,439	163,795	0.26
2029	633,750	127,257	-	1,536,977	11,555,018	11,682,275	-	-
2030	640,087	124,076	-	1,552,346	11,274,034	11,398,110	-	-
2031	646,488	60,845	-	1,567,869	10,993,051	11,053,896	-	-
2032	652,953	-	-	1,583,548	10,712,068	10,712,068	-	-
2033	659,483	-	-	1,599,385	10,431,084	10,431,084	-	-
2034	666,078	-	-	1,615,379	10,150,101	10,150,101	-	-
2035	672,738	-	-	1,631,531	9,869,118	9,869,118	-	-
2036	679,466	-	-	1,647,848	9,521,468	9,521,468	-	-
Total		5,845,342			215,182,850	221,028,192	9,710,573	16.65

*Assumes FY2018 value of a cent of \$570,900, an annual growth rate of 1.0%, and a 99.5% collection percentage

Scenario 1 – Tax & Ratio Impact

- Important to be aware of debt ratios so this is built into the capital planning model (debt to assessed value, debt per capita, debt service to operating expenditures, fund balance) to ensure County is not straying from its own policies or peer counties

Scenario 1 – Debt Service

- Looked at each borrowing to determine annual debt service
- Series 2019 school issue – if issued \$38 million in debt at a 3.5% interest rate at level principal structure County would pay back \$1.9 million each year over a period of 20 years

- All projects listed under the chart in presentation

Scenario 2 - Overview

- This scenario assumes the County funds the courthouse project in FY 2018 with LOB over 20 years and \$93 million of school projects over a three-year period (FY 2019-2022) with GOB amortized over 20 years
- Also assumes the County pays for any debt service above the existing levels via a property tax increase

Scenario 2 – Tax Impact

- County would need to increase taxes by approximately 15 cents over a four-year period
- If County chose to increase taxes upfront, the tax increase could be reduced to approximately 11.4 cents
 - If school debt was funded with LOB as opposed to GOB, the tax impact would increase by 0.3 cents to 15.3 cents
 - If courthouse was funded with a USDA loan over 40 years as opposed to 20 years, the tax impact would decrease by 1.4 cents to 13.6 cents

Scenario 3 – Overview

- County funds only the school projects over a three-year period with GOB over 20 years
- Assumes County pays for any debt service above its existing levels via a property tax increase

Scenario 3 – Tax Impact

- County would need to increase taxes by approximately 11.7 cents over a three-year period
- If County chose to increase taxes upfront, the tax increase could be reduced to approximately 8.3 cents
 - If school debt was funded with LOB as opposed to GOB, the tax impact would increase by 0.4 cents to 12.1 cents

Comparison of Scenarios

Scenario	1	2	3
Courthouse	24,000,000	24,000,000	-
Schools	38,000,000	38,000,000	38,000,000
Schools	38,000,000	38,000,000	38,000,000
Schools	17,200,000	17,200,000	17,200,000
Miscellaneous Projects	1,100,000	-	-
Miscellaneous Projects	1,000,000	-	-
Water & Sewer	10,000,000	-	-
EMS Station	1,600,000	-	-
Comm. Park/Sports Complex	2,000,000	-	-
Comm. Park/Sports Complex	6,000,000	-	-
Multi-Gen Rec Ctr / Park	19,000,000	-	-
Total Projects Funded	157,900,000	117,200,000	93,200,000

Tax Impact Over Time (cents)	16.7	15.0	11.7
One-Time Tax Impact (cents)	13.9	11.4	8.3

There are pros and cons to assessing a tax increase over a period of time and upfront. This is assuming all these projects are funded with property tax revenue. The availability of other revenues will help reduce some of the tax impact.

Q&A on Funding Model

This is a summary of the responses to various questions asked by both Boards, including some general comments:

- The model is impressive and will help us understand the impact to the County over a period of time.
- The debt service the County pays on the existing school bonds has declined annually over time due to the type of loan. However, the reduction in debt service payments has in turn been shifted back to the County and School System in the form of increased operational expenses, although a higher percentage increase has been for education, especially since the State continues to push more costs down to the local level. The capital planning model anticipates that operational expenditures would not exceed 1% annual growth, otherwise additional tax revenue would be needed.
- Both Boards learned today that the LGC requires detailed plans before approving funding on either funding option. The Board of Commissioners stressed they are not questioning the School System's needs; the concern is whether or not citizens are supportive and determining the best option for paying for the projects. The Board of Education has embarked on a public information campaign so that citizens understand the School System's needs.
- LGC tends to be more flexible on GOB because it would have already received approval via voter referendum. The LGC is not flexible on requiring detailed plans for LOB. Funds to pay for the initial design work can come in the form of a line of credit or some other reimbursement method once the GOB is issued. The architects estimated that 12% of the total project cost would be needed upfront to complete this work.
- For a LOB, a lien can be tied to one building even if there are three projects occurring simultaneously. A lien is required on something of material value, but it does not have to be placed on everything. There are also ways to work out timing if the desire is to jumpstart the smaller projects with a LOB, then pursue a GOB later.

There were no further comments.

Closing Comments

On behalf of the Board of Education, Chairwoman McCoy thanked the Board of Commissioners for agreeing to hold a joint meeting, accommodating the seating arrangements in order to facilitate a healthy dialogue, and providing a meal prior to the meeting. She also thanked the presenters for their information. She closed by saying that the Board of Education is also concerned about how their facilities needs will impact the citizens of this County.

Adjournment

Board of Education member Marty Griffin moved to adjourn the Board of Education meeting at 8:08 p.m., seconded by Board of Education Vice-Chairman Ron Kiviniemi and unanimously carried.

10 Minute Recess

Chairman Chapman called for a 5-10 minute recess in order to transition to the remaining half of the meeting of the Board of Commissioners.

CONSENT AGENDA

The Board of Commissioners' meeting reconvened at 8:18 p.m. Commissioner Hawkins was excused from the meeting because he was feeling ill.

Commissioner Lemel moved to approve the Consent Agenda, seconded by Commissioner Chappell and unanimously carried.

The following items were approved:

MINUTES

Commissioners met in regular session on Monday, March 27, 2017 at 7:00 p.m. and following met in closed session to receive an update on a lawsuit and discuss a personnel matter. The minutes were approved as submitted.

DISCOVERY, RELEASE AND MONTHLY SETTLEMENT REPORT

Commissioners approved the Discovery, Release and Monthly Settlement Report for March 2017. Total tax dollars released was \$321.62. Refunds totaled \$2,904.03.

PROCLAMATION-OLDER AMERICANS MONTH 2017

Sylvia Petit with the Department of Social Services chairs the County Council on Aging. Each year the Council on Aging requests that the Board of Commissioners approve a proclamation declaring May of that year as Older Americans Month in order to recognize the many contributions of our senior citizens. Commissioners approved Proclamation 12-2017 Older Americans Month 2017 which is hereby incorporated by reference and made a part of these minutes.

VAYA HEALTH 2ND QUARTER FISCAL MONITORING REPORT

Per NCGS 122C-117 (c), the quarterly Fiscal Monitoring Reports (FMR) for the LME's must be presented to the Board of Commissioners in person and read into the minutes of the meeting at which it is presented at least twice a year; otherwise, it can be placed on the Consent Agenda. Commissioners accepted the 2nd Quarter Fiscal Monitoring Report from VAYA Health as submitted.

PRESENTATIONS/RECOGNITIONS

FIRE/RESCUE DEPARTMENT BUDGET REQUESTS

The following departments addressed the Board of Commissioners on their most important funding concerns for the upcoming FY 18 budget:

1. Cedar Mountain Fire Rescue
2. Connestee Fire Rescue
3. Brevard Fire
4. North Transylvania Fire Rescue
5. Rosman Fire Rescue
6. Lake Toxaway Fire Rescue
7. Balsam Grove Fire Rescue
8. Transylvania County Rescue

Little River Fire Rescue was the only department not presenting.

The Manager reported that starting this year fire departments were required to submit their budget requests by April 1. This will continue moving forward. In addition, their audits will be due to the County on January 31 of each year. The Manager noted that the impact of their requests on tax rates is not yet available, but will be complete for the recommended budget presentation in May.

This is a summary of their presentations and discussions that ensued:

Cedar Mountain Fire Rescue (Jimmy Jones presenting)

- Total request for County funding is \$194,000
- No major increases being requested
- Refinanced loan to lower payments on building
- Ordered replacement generator for building
- Waiting on delivery of new vehicle
- No request for personnel
- Using funding from Greenville to pay for personnel costs
- Using part time personnel, but still have some gaps in service they are working through

Their contract with Greenville, SC requires annual renewal. They are required to submit a budget by July 1 of each year. The funding provided by SC is comparable to what Cedar Mountain residents would pay in fire district taxes.

Approximately one-third of their fire and medical calls occur across the state line.

Conestee Fire Rescue (Danny Britt)

- Major increase in request is the addition of two FT personnel to allow for 12-hour coverage Monday-Friday at their main station; the second person would cover weekends and fill in three days a week at the substation; request equates to an increase of \$80,000

Having two people on staff during the day helps with day-to-day operations and alleviates a safety concern because of the daily operations require the two people to complete.

By adding two people, the department expects to cover 64.3% of calls, based on the number of calls that occurred in 2016. Response times are also expected to decrease, but they have not completed an analysis for weekend coverage. At the request of Commissioners, they will attempt to provide information on what they expect to gain by adding more staff.

Brevard Sylvan Valley 2 (Bradley Elmore presenting)

- Requesting to add 17,000 to maintenance due to increase in costs
- Requesting new air packs, if awarded grant; if not awarded grant, will defer purchase of air packs to next year's budget; air packs are 20 years old
- Requesting a new rescue truck; this is not an increase to their budget because the payment replaces a ladder truck payment that rolls off this year
- Requesting evening staffing; County portion pays 47% of cost; distributed handout to Commissioners which analyzes their response time decrease projections

North Transylvania Fire (Donnie Kilpatrick presenting)

- Department has operated on a small budget due to size of district resulting in one of the highest tax districts; goal is to provide same services as other districts

- Using hand-me-down and old equipment
- Own two engines and two tankers they have; three are older than 1981 and require constant maintenance and repair
- Experiencing large increase of calls in Pisgah National Forest; maintains two vehicles just for forest response which requires intensive manpower operations
- Not been able to upgrade equipment due to lack of funding; unable to provide appropriate assistance to neighboring districts
- Air packs are more than 30 years old
- Request to County to perform analysis of how departments are funded to ensure services are consistent across all fire districts
- Investigated federal PILT funds for search and rescue operations in areas where there are no tax dollars collected for property tax; requested County look further into this as well

PILT funds would substitute as a tax base for the Pisgah National Forest being they do not receive funds from the Forest Service. There are other departments across the County that respond to calls in the Pisgah National Forest as well that do not receive funding for doing so.

Commissioners are concerned that the department intends to reduce its existing budget by 25% if not outside funding opportunities are available. The department continues to operate with a bare minimum budget with no improvements, upgrades to additions.

Rosman Fire Rescue (Jonathan Orr presenting)

- Asking for \$35,201 increase; \$28,000 is for paid personnel during peak hours; currently using PT personnel to reduce overall costs of paid personnel
- Other expenses include \$7,200 to cover dues and subscriptions, grounds keeping, and other various items
- Requesting to insure dive team at a cost of \$3,000

Peak times seem to occur during weekends when there is an influx of people in the area. The department is using paid personnel to ensure weekend coverage.

Communications Director Kevin Shook noted that typical peak times for the County have been related to tourism during the summer and fall; however, over the last few years the call volume has been steady throughout the year.

Lake Toxaway Fire Rescue (Carmon West presenting)

- Lake Toxaway is a resort community so the department has trouble with recruiting and retaining volunteers; 80 FT residents, 450 homes in Lake Toxaway Estates
- Requested another paid staff person; the department had already hired the person which was paid with funds they have saved; funds available to cover cost for a couple of years
- 5.58% increase in budget request

Balsam Grove Fire Rescue (Burt Hogsed presenting)

- Only change is to add a storage building; currently equipment is stacked against walls; equipment is necessary and cannot be disposed of; storage building would be a better way to house equipment; intend to pay for out of current budget and savings
- Only addition to budget is to add a couple of dry hydrants; these became a dire need during last year because of drought

There is a process for establish water points. The costs are absorbed by the department.

Transylvania County Rescue Squad (Ben Robinson presenting on behalf of Dale Whitlock)

- Asking for 6% increase for two employees for 2nd and 3rd shift due to call volume for the purpose of reducing response times, especially ambulance response time
- 8 minute average response now, but goal is to reduce to 3-4 minute response time
- FY 13-14 to FY 15-16 increase of calls by 35.5% (1,703 to 2,308 calls)
- Like most departments, experience problems in recruiting and retaining volunteers; appears to be a trend nationwide over all industries
- State has implemented new mandated rescue standards; adds to cost of training, travel, lodging, meals, etc.
- Trying to specialize in certain areas since trend is more outdoor/recreation injuries; also trying to recruit and retain more instructors

The decrease in response time is obtainable. The current response time includes someone having to travel from home or other location to the station to activate the ambulance. The response time will decrease by having staff onsite, thus eliminating travel from other location.

This concluded the individual department presentations.

Chairman Chapman inquired about whether the stipend paid to volunteers is consistent across all departments and if departments were in compliance with IRS reporting. Assistant County Manager David McNeill reported that not all departments are able to provide a stipend and it varies across the departments that do. The County contracts with each individual department as they are private nonprofit entities. It is the departments' responsibility to comply with IRS regulations and this information should be visible within their annual audits which are submitted to the County.

APPOINTMENTS

AGRICULTURAL ADVISORY BOARD

The terms of Brittany Whitmire, Jimmy Whitmire and John Witherspoon expire at the end of April. All are eligible to serve another term. However, Brittany Whitmire does not wish to be reappointed at this time. Staff will be recruiting to fill the vacated position.

Commissioner Lemel moved to reappoint Jimmy Whitmire and John Witherspoon to the Agriculture Advisory Board, seconded by Commissioner Phillips and unanimously approved.

NEW BUSINESS

PUBLIC SAFETY RADIO SYSTEM

Communications Director Kevin Shook presented this item. The FCC mandated changes in 2013 to public safety communications systems regarding operating frequencies that narrowed their bands and created more space to be able to allocate to other users. This change also took away a provision that guaranteed the County would not encounter interference on the public safety frequencies. Other systems experienced an immediate issue with these changes while others are experiencing them only as frequencies are assigned at a higher number creating crowding problems. Both Jackson and Henderson Counties are investing significant funds to develop proprietary systems that eliminate these problems, but also limit agencies to a single vendor for compatible equipment.

Transylvania County did not see immediate issues in 2013; however, recently interference has created daily communications problems on handheld radios being used by responders in North Transylvania, Little River, Balsam Grove and Connestee Districts. The lack of communication creates a safety issue

that must be addressed. The interference appears to be mechanical in origin making it almost impossible to locate given our uneven terrain that bounces these signals.

There are three engineered options the County can pursue. These options come with a guarantee by the engineer that they will work.

Option A: Single Phase, cost of \$530,000

This option corrects the reception problem and provides three simulcast radio channels. This option would be fully automated and provide a single countywide dispatch channel for fire, EMS and Sheriff. Currently responders have to know when to switch between two channels as they cross the County during emergency responses to stay in communication.

Option B: Phase cost over two steps, \$530,000 total cost (\$210,000 then \$320,000)

Same outcome, but costs spread into two steps. The first step would correct the poor reception on handhelds, but not include the intelligence components to automatically route the signal to the appropriate tower for reception. The signals received would have to be hard coded into the tower leaving room for errors. The second phase would correct those issues and allow simulcast. By breaking into two phases there is a risk that the cost of the second phase could increase.

Option 3: Limited Approach \$340,250

This option would correct the reception issue, but has limited usefulness as the County corrects the simulcast issue.

Options A and B would help to phase in some of the major expenses coming with simulcast that is scheduled on our capital plan for a \$1.5 million investment in FY 19. Channels could be added over the next five to six years to complete the simulcast project.

Staffs' recommendation was to implement Option B, Phase 1 with Phase 2 to follow within six months to limit increasing in pricing.

In response to questions from Commissioners:

Mr. Shook emphasized that this solution does not fix all of the issues, but it is a good starting point. There are additional needs for operational channels. Options A and B gets us three countywide simulcast channels. He expects to come back before the Board for additional phase-in plans. From this proposal, he believes it will still take up to four more years to get the County where it needs to be. From there it would just be a matter of maintaining technology.

The company that engineered and wrote the proposal will guarantee in writing that it will work.

Option B is recommended as a method of spreading the cost over two budgets, otherwise it is exactly the same as Option A. The concern about Option B is that if Commissioners do not act quickly to implement Phase 2 of Option B, the costs could skyrocket. There is \$250,000 earmarked in the Sheriff's budget for the implementation of emergency services improvements.

Commissioners felt that phasing the project over two budget years prolongs the potential risk of problematic situations around the delivery of emergency services.

Commissioner Lemel moved to provide \$530,000 total funding for this project to be done in total. The motion was seconded by Commissioner Chappell. At the request of the Manager, Commissioner Lemel amended the motion to include using \$250,000 out of existing budget earmarked for

emergency services improvements and remaining from Fund Balance. The amendment was seconded by Commissioner Chappell. The amendment was approved unanimously. The main motion was approved unanimously.

Mr. Shook pointed out the new system will be state of the art and nonproprietary.

MANAGER'S REPORT

The Manager reported the following:

- Enrollment for Parks and Recreation Summer Camps going well; few spots remain open; website explains details
- Silvermont Centennial Celebration May 13, 11am-5pm; music, food, activities
- Kudos Report!
 - Kevin Shook and Communications staff from Donnie Kilpatrick, North Transylvania Fire Chief on going above and beyond to make sure that the incident commander for the rescue in Turkey Pen had each request met to coordinate a multi-agency, logistically challenged rescue
 - Child Development for their outstanding five star rating during their three year assessment.

PUBLIC COMMENT

There were no comments from the public.

COMMISSIONERS' COMMENTS

Commissioner Lemel encouraged citizens to apply to serve on the County's various citizen advisory councils. Openings are published in the newspaper and posted on the website.

Chairman Chapman thanked everyone for attending the meeting. He felt this meeting gave a good indication of what the County is facing in terms of ensuring services are provided and needs are met. He encouraged citizens to reach out to the State representatives to better fund education, particularly with lottery funding. He also encouraged citizens to communicate to Commissioners because they serve all citizens and are trying to determine the best ways to ensure the necessary services are being provided.

ADJOURNMENT

There being no further business to come before the Board, **Commissioner Lemel moved to adjourn the meeting at 9:15 p.m., seconded by Commissioner Phillips and unanimously carried.**

Larry L. Chapman, Chairman
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board