

MINUTES
TRANSYLVANIA COUNTY BOARD OF COMMISSIONERS
July 25, 2018 - SPECIAL MEETING

The Board of Commissioners of Transylvania County met in special session on Wednesday, July 25, 2018 at 9:30 a.m. in the Arthur C. Wilson, Jr. Conference Room at the County Administration Building, located at 101 S. Broad Street, Brevard, NC. The purpose of the meeting was to participate in a conference call with the North Carolina Local Government Commission in reference to the pre-application process for the General Obligation School Bond Referendum.

In attendance from Transylvania County were County Commissioners Larry Chapman (Chairman), Mike Hawkins, and Page Lemel (Vice-Chairwoman), County Manager Jaime Laughter, Finance Director Gay Poor, incoming Interim Finance Director and current Management Analyst Jonathan Griffin, and Clerk to the Board Trisha Hogan. A quorum of Commissioners was present for this meeting. It was properly advertised by the Clerk to the Board.

In attendance from Transylvania County Schools were Board of Education members Ron Kiviniemi (Vice-Chairman) and Alice Wellborn, Superintendent Dr. Jeff McDaris, Finance Director Norris Barger, and Community Relations Director Kevin Smith.

In addition, there were two guests in the audience: Courtney Domokur Mason (candidate for Board of Education) and Lee McMinn (citizen).

Participating via conference call from the North Carolina Local Government Commission were Analyst Tony Blalock and Director of Debt Management Tim Romocki. They asked questions about the school bond projects put forward by the Board of Education.

This is a summary of the question and answer session from the conference call:

Q. Local Government Commission. There are several projects outlined in the study. The ones to be funded in the proposed General Obligation Bond are renovations and expansion to Brevard High School, a new high school for Rosman, and converting the current high school to a middle school. Is this a fair assessment?

A. School Administration. There is no expansion plan for Brevard High School. The square footage will remain roughly the same. Some of the old buildings that were constructed in 1959 will be torn down and replaced with new construction and other buildings on the campus will be renovated. Rosman High School and Rosman Middle School is a combined campus. Rosman Middle School is a 1940's building that will be replaced. The configuration has yet to be completely determined. The High School and Middle School will remain on the same campus.

Q. Local Government Commission. What is the plan to accommodate the students during renovations and new construction?

A. School Administration. The initial assessment indicates the new building will be constructed first. Students will then be moved into the new building. Once moved, the old building will be demolished, followed by the construction of a new entryway for the new building. For the space that will be renovated, the plan is to bring in mobile classrooms or be creative with space renovation plans and shuffle students around through the renovation process.

Q. Local Government Commission. The facility plan document estimated the cost escalation window (from conceptualized drawings to current time) as a 60% increase. Does the School System feel comfortable that the estimate is correct?

A. School Administration. The School System felt they could do what needs to be done within the numbers as provided.

Q. Local Government Commission. Also within the same document there were other capital projects totaling \$93 million, yet the General Obligation Bond request is only for \$68 million. What are the plans for the projects that were not selected for the bond referendum? Were those projects not as urgent?

A. School Administration. How these needs will be addressed or paid for has yet to be determined. The Board of Education and School Administration will be meeting with the Board of Commissioners to determine a path forward in the near future. The projects for the bond referendum were selected because they are the most urgent and most critical.

Q. Local Government Commission. What is the trend on the assessed valuation increases? When was the County's last revaluation? When is the County's next revaluation?

A. County Administration. The County has been experiencing a 1-2% increase in property values. The last revaluation was as of January 1, 2016. The next revaluation will be effective January 1, 2021.

Q. Local Government Commission. What is the projected increase in the tax rate to fund the principal and interest on the bond?

A. County Administration. The projected tax rate increase is 11 cents.

Q. Local Government Commission. Was the payback proposed on level principal?

A. County Administration. Correct.

Q. Local Government Commission. The document indicated plans for bond issuance in two series. Is this correct?

A. County Administration. Incorrect. The County is considering bond issuance in only one series. At maximum, the County could break it up into two series, but when staff modeled two series, then tacked on the additional issuance costs, there was minimal impact to the total potential tax increase. In addition, staff is seeing a rapid escalation in the bond rates. The additional issuance costs would be in the neighborhood of \$125,000-\$150,000.

Q. Local Government Commission. From a construction standpoint, how does the School System intend to stagger the different projects?

A. School Administration. The School System expects the process to take three to four years from start to finish.

The Local Government Commission responded that this timeframe appears to be ambitious, with a lot going on at one time, especially in Rosman where the project involves building a new school, demolishing an old building, and staging students during renovations. For this reason, the Local Government Commission had had the earlier thought that more than one series should be issued. They informed this is something that can be determined later.

In addition, the Local Government Commission reported they are not seeing rapid escalation in the interest rates. There has been some escalation, but typically higher escalation is seen in short maturities. The longer maturities remain in the 3-3 ½ % coupon.

The Local Government Commission has reviewed the numbers that First Tryon Advisors modeled on behalf of the County. They advised that if the bond passes and the County must increase taxes at some level to fund the bonds, to set up a capital reserve dedicated with those tax dollars. This capital reserve fund will be just as important to address future capital needs. They advised the County to dedicate a certain amount of its tax base to school and county capital needs. The County has minimal debt; therefore, there is minimal debt payments rolling off. If the referendum passes, the County will be in debt \$60-70 million; however, with the debt payments structured as level principal payments, any debt service roll off can be set aside for future capital needs. The School System has already indicated they have an additional \$30 million in capital needs. They have buildings that are aging significantly, as does the County.

The County Manager reported that these conversations have been had with the School System and will be critical moving forward, specifically because since the last bond issuance, any debt roll off payments have been going to cover increases in school operational costs. Both Boards have discussed over the last two years the need to institute an intentional capital program whereby debt roll off payments are not allowed to be used for operational costs.

Q. Local Government Commission. What is the general sentiment from the public for the project itself and for the tax increase?

A. County Administration. The handful of public comments offered during County Commission meetings has been positive and supportive of the School System's capital needs. The public-at-large has been mostly silent about the tax increase. The School System has held four public input sessions to date and they have been poorly attended other than School System employees and County officials. Commissioners are unsure if citizens understand all that is being proposed. County Commissioners held a public hearing on the bond order on July 23. Only one citizen offered comments during the public hearing and she spoke in favor of its passage. It is difficult to gauge the public sentiment at this point because there has not been a lot of detail available for the public. Commissioners expect public interest to peak since the tax impact was reported during the public hearing and as the School System begins its education campaign.

A. School Administration. The projects involve two ends of the County which should garner more public support. School officials are unsure of the public's support of the proposed tax increase.

The Local Government Commission reminded both Boards to remain neutral in their presentation of information on the school bond. They are only to present facts.

Based on First Tryon Advisors model, the Local Government Commission noted that if Commissioners would have increased taxes for FY 19 prior to construction or actual need, the County could get by with a smaller tax increase to cover the bond payments. This is due to the growth factor. This is another reason to consider two separate bond issues. Under the level principal pay structure, the first year's payment is the largest. If the County issues the entire \$68 million at once, the first year's payment is going to be huge. Breaking up the bond into two series and spreading out the construction over a significant period of time reduces that impact. Again, they informed this can be determined later.

Q. Local Government Commission. What happens if the referendum fails? It is important for the County and School System to have a plan in place because the needs will still be there even if the referendum

fails. To try to do another referendum at a lesser amount will prove difficult. Based on comments, it sounds like the schools are well supported and that citizens understand the needs.

Q. School Administration. What is the Local Government Commission's experience with the success of bond referendums over the past five years?

A. Local Government Commission. They have seen a high number of bond referendums in the past two to three years and for the most part they have passed, specifically for schools. There appears to be a natural tension between Boards of Commissioners and Boards of Education, yet they seem to be able to compromise on a solution that is in the best interest of everyone in their respective communities when it comes to school bonds. When decisions are made on school bond referendums, they are usually well thought out and public support is very high. Over the last couple of years only a couple of referendums did not pass. They were for very large recreational expenditures. The support for school bonds in the past has been exceptionally high across North Carolina.

Q. County Administration. What is the normal timeline to start communicating with the public the details of the bond? The referendum will be on the ballot in three months and there has been very little coverage in the local newspaper and the public input sessions have been poorly attended. Has Transylvania County done what needs to be done to ensure the referendum passes?

A. Local Government Commission. It is difficult to answer this question since there has not been a lot of public input. They recalled situations in which citizens learned about a potentially large tax increase early on and organized groups to voice their opposition to the boards. So the fact that the County has not seen such opposition is positive. The Local Government Commission reminded both Boards that information should be fact based. The public information sessions should be conducted by the Board of Education. The Board of Education should also develop a sheet of Frequently Asked Questions. A search of the local news media regarding the school bond reported that the Board of Commissioners approved the bond order on Monday night; otherwise, there was no other news. It is possible that the news hasn't gotten a lot of visibility by the general public yet.

Q. County Administration. What was the tax impact in the counties that passed bond referendums? If Transylvania County's passes, the tax impact will be a 20% increase.

A. Local Government Commission. Alamance County approved a bond referendum in May that required a 12 cents tax increase. They are planning to make improvements across their entire school system so that schools across the entire county benefit. Alamance County is just one example, but the answer depends on whether the school system is tackling big projects at once or spreading them out over a period of time. Some try to spread projects out over time so that the tax rate impact is not as large, but they may also be portrayed to the public that this is the first of several bond referendums they are likely to have. Counties/school systems have taken a full range of avenues.

There were no further questions that needed to be answered for the pre-application process. The Local Government Commission will review the materials again on the construction project. They were appreciative of the clarification received on the projects.

At this time, being a quorum was still present and the meeting was properly advertised and open to the public, Commissioners engaged in a brief dialogue with the School Administration Staff and Board of Education members in attendance. There was no action taken. The following captures a brief discussion.

Commissioner Hawkins asked when Board of Education intends to begin the public information campaign. Dr. McDaris responded that the campaigning should begin soon. He informed there are

citizens not employed by the School System who have agreed to organize an external committee to support, promote, and advertise the bond through various marketing and media venues. School Administration has already begun developing the factual materials about the proposed construction projects. Mr. Smith added they intend to do a lot of outbound marketing, such as print materials and special inserts in the local newspaper to help draw special attention. Going forward they intend to rely heavily on community input in order to address the public sentiment. Mr. Smith also noted that in his research of school bond campaigns, the ones that were successful were ones in which the campaign periods were less than three months; otherwise, longer campaign periods become tiresome to the public and have a more negative impact.

Chairman Chapman inquired about the timeline for receiving details from the architect so they can be shared during the campaign effort. He stressed that citizens will want to know the details about how \$68 million will be spent and how they will benefit. Dr. McDaris and Mr. Barger informed they have a meeting with the architect tomorrow to discuss and receive an update on the programming information. Dr. McDaris noted that the programming will impact the way in which the public perceives schools. Schools are no longer designed to have class/subject wings. Schools are designed to be much more diverse with more shared space. These are the types of discussions that will continue with the architect tomorrow. Ms. Wellborn said she attended the programming sessions for the high schools and she was impressed at the remarkable level of detail provided for each. She pointed out one of the reasons the Board of Education decided to address the two high schools was that eventually all students in this County will attend either of them, including students who are homeschooled or attend the charter school. They were also chosen to be part of the school bond projects because they are the most dilapidated.

Commissioner Hawkins asked for clarification that the programming has not changed much in terms of the layout. Mr. Barger responded that the architect is working on the site plan and will present a couple of different renderings during their meeting tomorrow, so he cannot answer definitively at this time. They are developing the programming according to DPI standards. They hope to have a more defined site plan and rendering available by the end of August. Dr. McDaris pointed out that teachers and staff have been heavily involved in the programming efforts. He referred back to school design becoming more diverse and stated that shared space, like one would experience in a college setting, saves money, makes for more efficient use of space, and has proven advantageous to students for their social and emotional well-being and learning. Mr. Barger noted that the square footage for Brevard High School is correct for the number of students it houses, but it does not work well because it is not used efficiently. The renovation project will help remedy that and make the use of space more efficient.

Ms. Wellborn reported that DPI has developed a rating system that assigns points to buildings based on their condition. The point system helps Boards of Education decide whether or not it is financially wise to make renovations/repairs or recommend new facilities.

Commissioner Lemel asked School Administration where they were in terms of their selection of an architect for construction purposes. Mr. Kiviniemi pointed out they are still waiting for the final product from architect Clark Nexsen. Mr. Barger reported that once the bond passes, they will go through the RFQ process. Clark Nexsen will have done much of the programming work, so he expects the RFQ process to move rather quickly. If Clark Nexsen is chosen as the architect for the next phase, there are some discounts factored into the cost.

Chairman Chapman asked if School Administration expects \$68 million will accomplish these three projects. He noted these are the types of questions citizens are asking him. Dr. McDaris responded yes, based on the information they have and their confidence in the escalation predictions. He added that he hopes to come in under \$68 million so they can apply funds to other projects. The Manager reported that,

according to the County's bond counsel, the bond referendum is funding for three specific projects. Staff will follow up with bond counsel to confirm.

The Manager offered to run the model on issuing the bond in two series, one for the Brevard High School project and the other for the Rosman Middle/High School project. In order to do so, she would need information from School Administration on which years they would want the bonds issued. She noted that when staff previously modeled two series of issuances, the impact of doing so did not make much difference when factoring back in the issuance costs. In addition, our tax base is not growing as fast as other places. Although the historic trend does not indicate bond rates going up fast, we cannot predict the future, causing the Manager concern. The Manager pointed out she was not suggesting it would not relieve the tax burden, but she did not think 9 or 11 cents would have a huge impact from a voter perspective. Whatever the impact is, it is important that we are up front with the public.

Commissioner Hawkins inquired about the timing and access to funds if the bond passes. The Manager and Finance Director Gay Poor responded. If the bond passes, the next steps would involve actual issuance of the bonds which occur in April or May. A tax increase would be required beginning in FY 2020.

Commissioner Hawkins asked if School Administration intended to complete one project at a time or both simultaneously. Mr. Barger responded that the answer depends on a number of factors: construction climate, staging for students, availability of funds, availability of architect, etc. He expects to break ground on both projects in the same fiscal year. He developed an estimated timeline based on his perspective and will review it, noting it is not formal at this point.

Commissioner Hawkins asked if the Brevard High School project will require staging for students. Mr. Barger responded yes, but not as extensive as with the Rosman High School project. This will be determined by the architect and contractor. It will be part of their contract to develop the staging for each project. Dr. McDaris added that as possible they intend to structure movement within existing facilities rather than utilizing mobile units because they are expensive to rent. Mr. Kiviniemi stated that while moving students through different stages of construction is not optimal, it is doable.

The Manager announced that County staff continues to follow the necessary processes as we near the bond referendum. The Local Government Commission will consider the application and should respond to the County by August 7. If necessary, they will respond with comments or a conditional approval, or they could deny the application. Should they deny the application and the bond passes, the County will have to reapply. The County must also publish a legal notice of the bond referendum and complete other ceremonial type actions prior to the actual vote. The passage of the bond referendum triggers a whole new set of actions: certification of the vote, preparation of the bond issuance, engagement with bond counsel to guide the County through the process of conducting sale of bonds, etc.

Ms. Wellborn asked how the bond referendum would be worded on the ballot. The Clerk to the Board informed her that the wording was outlined in the resolution that was passed by the Board of Commissioners at their meeting on Monday, July 23, 2018. It was delivered to the Board of Elections yesterday (July 24, 2018) morning. The Board of Elections is supposed to forward County staff a sample ballot to ensure the wording is correct. The Clerk to the Board will send a copy of the resolution to School Administration and Board of Education members.

Ms. Poor inquired about the timeline for receiving construction bids. She indicated that the bonds cannot be issued without them. Mr. Norris will review his timeline and respond to her at a later date. He noted that at this point the information he has on hand has been estimated by their architect Clark Nexsen.

This being a special called meeting, there was no other business to come before the Board. **Upon motion from Chairman Chapman and second from Commissioner Lemel, the meeting was adjourned at 10:35 a.m.**

Larry L. Chapman, Chairman
Transylvania County Board of Commissioners

ATTEST:

Trisha M. Hogan, Clerk to the Board