

March 12, 2009

The Board of Commissioners of Franklin County, North Carolina, met for a Special Called meeting at 7:00 P.M. in the Commissioner's Meeting Room located in the County Administration Building with the following Commissioners present: Chairman Robert L. Swanson, Vice-Chairman Penny McGhee-Young, Bob Winters, Sidney E. Dunston, Donald C. Lancaster, Harry L. Foy, Jr. and E. Shane Mitchell. School Board members present included Chairman Paige Sayles, John May, Bernard Hall, Mary Vollmer and Gilbert Johnson. Vice-Chair Dannie Williams and Beverly Joseph were absent.

The purpose of the special called meeting was for a joint session with the Franklin County Board of Education to discuss the 2008 school bond.

Chairman Swanson called the Board of Commissioners to order. Chair Sayles called the Board of Education to order.

1. STATUS REPORT ON SCHOOL PROJECTS

Jon Long, MBAJ Architecture, provided a status report on school projects including schedule changes. He stated there is little activity in the bid market now and referenced activity in Cumberland County. Cumberland bid the same school project three times. Mr. Long compared the bids and stated even though second time bids are typically higher, the county was able to obtain bids that were \$2,756,000 lower by waiting six months. Mr. Long stated the market is still very good and said it may be twenty percent less now compared to six to 12 months ago. His fear is that figures will begin to change unfavorably when businesses are forced to close.

County Manager Angela Harris mentioned a conversation with a representative of the community college system recently. She said a small project they are working on attracted several contractors to bid. She then commented on good communication between staff and elected officials. She said there has been an effort to stay abreast of any stimulus funding that may be available. She said she had also received information on Senate Bill 386, an effort for the state to make the best use of the corporate tax revenue. She said there is a proposal for the state to take ADM and lottery money for at least the next two years.

Chuck Murray, Finance Director, said there is still much to learn about the stimulus package and said there is still a lot that state leaders don't know about. He did say bank qualified funding is included in the package with a limit of \$30 million. He said this would allow the county to move monies and restructure our plan and also helping with a better interest rate.

Mr. Murray went on to say that bank qualified rates are good right now, however he said if issued, the county could not borrow more than \$30 million dollar in any given year on other projects, nor would the Local Government Commission approve the borrowing. He said if the county pursued a bank qualified loan, it wouldn't be able to borrow money for other projects during the calendar year. He said the debt load has been examined and the county can refinance some of its current debt and change some of its funding structure. Mr. Murray said the County had planned to use ADM and lottery funds to pay for this project in order to keep the tax rate low. However, the fate of those monies is uncertain. He said it is possible ADM and lottery funds won't be distributed for two years and said no other method of funding is available except for taxes.

Commissioner Foy said the only thing the County can do is to count on the worst case scenario. Rather than raise taxes, he said the County must cut back on its spending just as many citizens are doing in their personal budgets.

2. FINANCIAL UPDATE

The following PowerPoint presentation was offered:

Key Assumptions in June 2007

- Voters approve GO Bond issue for \$51,600,000 in May 2008
- GO Bond Issue in May 2009 - \$34,000,000 at 5.5%
- GO Bond Issue in August 2010 - \$17,600,000 at 5.5%

**\$53,000,000 School Bond Sale -
May 12th 2009**

Update March 12th, 2009

Interest Rates

- BQ rates are very good, estimated at 4.2%
- Non-BQ rates are around 4.80%
- If we issue Bank Qualified debt, the county is stating that it will not borrow more than \$30,000,000 in a given calendar year.
- Could delay future borrowings – If we decide to pursue a BQ offering, we can not issue over \$30,000,000 in a calendar year.

Debt Service Comparison on \$34 Million

Debt Service Schedule

Fiscal Year	Debt Service @ 5.3 Percent	Debt Service @ 4.75 Percent	Debt Service @ 4.11 Percent
FY 2008-2009	0	0	0
FY 2009-2010	2,602,000	2,415,000	2,197,400
FY 2010-2011	3,010,100	2,780,750	2,513,870
FY 2011-2012	4,018,200	3,746,500	3,430,340
FY 2012-2013	3,944,000	3,680,000	3,372,800
FY 2013-2014	3,869,800	3,613,500	3,315,260
FY 2014-2015	4,595,600	4,347,000	4,057,720
FY 2015-2016	4,479,000	4,242,500	3,967,300
FY 2016-2017	4,662,400	4,438,000	4,176,880
FY 2017-2018	4,729,900	4,519,250	4,274,130
FY 2018-2019	4,686,800	4,491,000	4,263,160
FY 2019-2030	42,610,300	41,592,250	40,407,610
Total	83,208,100	79,865,750	\$75,976,470

Possible Available Revenues

Fiscal Year	Lottery	ACO	ADM	Capt. Rsv.	Total
2007	0	0	0	0	0
2008	0	0	0	0	0
2009	0	0	0	0	0
2010	500,000	250,000	500,000	250,000	1,500,000
2011	500,000	500,000	500,000	250,000	1,750,000
2012	500,000	500,000	500,000	250,000	1,750,000
2013	500,000	500,000	300,000	250,000	1,550,000
2014	500,000	0	250,000	250,000	1,000,000
2015	500,000	0	250,000	250,000	1,000,000
2016	500,000	0	250,000	250,000	1,000,000
2017	500,000	0	250,000	250,000	1,000,000
2018	500,000	0	250,000	250,000	1,000,000

Impact of School Bond on 2009-2010 Budget
\$34,000,000

Debt Service for School Bond FY 2009-2010 \$2,600,000

Revenues Available:
 Lottery 500,000
 APSO 250,000
 ADM 500,000
 Capt Rsv. 250,000
Total revenues available 1,500,000

Impact to Budget \$1,100,000
 Now, could be \$2,100,000 without Lottery and ADM

Tax increase to Fund Project in FY 2009-2010 2.8 cents (with)

5.0 cents without.

LOTTERY PROCEEDS before State's Action

- Currently on hand: \$852,406
- Estimated to be collected this FY 800,000
- Appropriated in FY 2008-2009 (400,000)
- Estimated Balance 6/30/2009 **\$1,252,406**

Reminders FY 2009-2010:

- Committed to 2007 COP Bonds \$500,000 ?????
- Committed to 2008 Bond Issue \$500,000 ?????

LOTTERY PROCEEDS After State's Action

- Currently on hand: \$863,001
- Estimated to be collected this FY 558,496
- Appropriated in FY 2008-2009 (400,000)
- Estimated Balance 6/30/2009 **\$1,021,497**

Difference (\$241,504)

Reminders FY 2009-2010:

- Committed to 2007 COP Bonds \$500,000 ????????
- Committed to 2008 Bond Issue \$500,000 ????????

<u>School ADM Funds</u>	
☐ Currently on hand:	\$1,222,817
☐ Estimated to be collected next FY	\$500,000
☐ Appropriated in FY 2008-2009	(800,000)
☐ Balance on Hand 6/30/2009	\$922,817
<u>Reminders:</u>	
☐ Committed to 2007 COP Bonds in FY 2008-2009	\$400,000 ?????
☐ Committed to 2008 Bond Issue	\$500,000 ?????

<u>School ADM Funds after State's action</u>	
☐ Currently on hand:	\$1,222,817
☐ Estimated to be collected next FY	\$292,070
☐ Appropriated in FY 2008-2009	(800,000)
☐ Balance on Hand 6/30/2009	\$714,887
<u>Difference</u>	<u>(\$207,930)</u>
<u>Reminders:</u>	
☐ Committed to 2007 COP Bonds in FY 2008-2009	\$400,000
☐ Committed to 2008 Bond Issue	\$500,000

- Other Funding Options**
- Possibly restructure planned debt financing and reverse School Capital Improvement Funding Plan Strategy.
 - Issue \$15 million in May 2009 and up to \$30,000,000 in Early 2010. Delay funding other projects until 2011.
 - Allows county to take advantage of refunding some current debt to save up to \$750,000.
 - Could have impact on any borrowing in 2009.

\$53,000,000 School Bond

Discussion\Decision:

Decide whether to sale bonds on May 12th and proceed with school construction

or

delay funding for school bond projects until needed revenues such as lottery and ADM Funds are more certain.

Commission Swanson said he felt the Board has all of the information it needs to make a decision, but Commissioner Dunston argued that there are other projects on the table that need to be discussed before a final decision is rendered. He mentioned other requests such as a county complex and space needs at the jail.

Mr. Murray stated the Local Government Commission (LGC) requires information by March 15, 2009. He said a rating must be completed along with the official statement. He said approximately \$75,000 to \$80,000 would be spent and once the work is done and the money spent, there is no turning back to recoup those funds if the project does not move ahead.

Commissioner Lancaster stated he didn't feel the County should spend the \$80,000. He suggested pulling the May date with the bond counsel and scheduling a new date, moving forward with the bid process.

Commissioner Swanson said it seems unfair to ask for bids without knowing whether or not the County would move forward with construction due to the cost associated with placing the bid. Mr. Long said contractors are taking chances, but suggested the County be upfront if it knew the project would not be done at this time. He followed up by stating he felt the County would get good bids due to a starved market.

Commissioner Swanson then stated the need for the board to make a decision as to whether or not it is willing to raise taxes. He said that is the first decision that needs to be made.

Commissioner Foy said he wanted to see the entire budget picture before he makes a decision. County Manager Angela L. Harris stated right now, approving the project would force a ten percent cut across the board. She then asked should staff move forward with a decision on water and sewer for the project.

Commissioner Swanson said in order to do the school project, a tax increase is required and said already layoffs are being considered. Dr. Bert L'Homme, Schools

Superintendent, said the school system may be looking at a double hit from both state and county funding. He said a ten percent cut across the board would be catastrophic.

Commissioner Mitchell commented that the Board and school board members are elected to be visionaries. He said the Board must find a happy medium and asked if the schools system could provide a “wish list” should the projects need to be scaled back.

School board member Gil Johnson stated he sees that Franklinton High School is a top priority, but said he wouldn't speak for the entire board.

School Board Chair Paige Sayles said issues at Edward Best are equally needed as well as the high school.

School board member John May disagreed and said the board has prioritized many times. He said all projects involved in the school bond are top priorities.

Commissioner Young stated she could not make a decision about the school bond until she sees if Commissioners are will to raise taxes.

Commissioner Dunston said as all requested county projects are being considered, he is interested in which of the projects would be a source of income.

Commissioner Swanson stated he understands the Board wants to look at all projects collectively before making a decision. Commissioner Young stated she also wants to know the current budget situation without any new projects included.

Commissioner Winters then proposed the Board write a “strong resolution” to the Governor and representatives of Franklin, opposing what has happened to ADM and lottery funds. In response, Commissioner Young said our representatives have made some strong statements to the Governor already and have been told they will “pay for” the statements they made. She felt the resolution should only be sent to the Governor.

Commissioner Winters made the motion to send a resolution to the Governor opposing what's happened to the ADM and lottery funds, seconded by Commissioner Dunston. The motion duly carried with all present voting “AYE.”

At 8:45 P.M., Commissioner Dunston made the motion to adjourn, seconded by Commissioner Swanson. The motion duly carried with all present voting “AYE.”