

**MINUTES OF THE JOINT MEETING OF THE
ROWAN COUNTY BOARD OF COMMISSIONERS
AND THE ROWAN SALISBURY BOARD OF EDUCATION
JANUARY 21, 2014 – 9:00 A.M.
J. NEWTON COHEN, SR. ROOM
J. NEWTON COHEN, SR. ROWAN COUNTY ADMINISTRATION BUILDING
130 WEST INNES STREET, SALISBURY, NC 28144**

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Present: Jim Sides, Chairman
Craig Pierce, Vice-Chairman
Jon Barber, Member
Mike Caskey, Member
Chad Mitchell, Member

County Manager Gary Page, Clerk to the Board Carolyn Barger, County Attorney Jay Dees and Finance Director Leslie Heidrick were present.

Board of Education members present were: Dr. Richard Miller, Chairman, Kay Norman, Vice-Chair, Chuck Hughes, Josh Wagoner, Jean Kennedy, Susan Cox, L.A. Overcash. Also attending were Superintendent Dr. Lynn Moody, Clerk to the Board Patty Overcash and Attorney Richard Schwartz.

Chairman Sides convened the meeting at 9:00 a.m.

Commissioner Sides provided the Invocation and also led the Pledge of Allegiance.

CONSIDER APPROVAL OF THE AGENDA

Commissioner Barber moved, Commissioner Pierce seconded and the vote to approve the agenda passed unanimously.

Commissioner Pierce moved to limit the meeting to three (3) hours due to the regularly scheduled Board of Commissioners Meeting later in the day. Commissioner Pierce added that if the two (2) Boards were close to a resolution, he would be willing to extend the meeting an additional thirty (30) minutes. The motion was seconded by Commissioner Mitchell and passed 4-1 with Commissioner Barber dissenting.

Chairman Sides said he would like to give each Commissioner an opportunity to speak and then provide the same opportunity to the members of the Board of Education (BOE).

Commissioner Barber moved the Board of Commissioners (BOC) enter into a legally binding Memorandum of Agreement (MOA) with the Rowan Salisbury Board of Education (BOE) and agree to the settlement offer dated December 31, 2013 from the BOE. As a result, the BOC would adopt a \$40 million budget ordinance for a capital project fund for school construction. The debt would be incurred as needed beginning July 1, 2014, and beginning with each subsequent fiscal year in 2015 and 2016. The only difference would be the BOC would retain 100 percent of the lottery proceeds, as made available by the State of North Carolina, to be used to pay for debt service for school construction.

Commissioner Pierce commented that Commissioner Barber had not identified a funding source to address the debt service.

Commissioner Barber said he felt there was not a member of either board that wanted the issue to end up in court. Commissioner Barber went on to talk about capital needs for the schools. Commissioner Barber said that in November of 2009 voters approved a ¼ cent sales tax to fund \$18 million for a new 911 Center, a digital cell tower, a new jail, and telecommunication radios. If the voters had not agreed to the ¼ cent, property taxes would have been raised. In November of 2011, the voters approved a 1¼ cent property tax increase to pay for the community college bond. To date, property taxes had only increased by ¼ cent. Commissioner Barber said in November 2002, a 6.7 cent property tax was approved for schools, and to date only 2.5 cents had been raised. Commissioner Barber said if the additional 4.2 cents had been raised, it would equate to \$42 million over the last 10 years and would have been enough to cover all expenses that were being discussed today.

Commissioner Barber said during the 2006 budget lottery proceeds were used to pay off the 2002 bond debt, which had been done ever since. The argument could be made, according to Commissioner Barber, that the County had used lottery proceeds to supplant the additional 4.2 cents from 2002 and not supplement it. Lottery proceeds had gone from 2.7 cents down to 1.5 cents, and indications were there might not be any lottery proceeds in future.

In terms of revenue streams, Commissioner Barber said there was a need to look at those streams when considering a tax increase. Commissioner Barber mentioned the possible sale of County owned property valued at \$2 million. Commissioner Barber also said the voters had allowed an increase for the community college bonds and the school bonds. Commissioner Barber said in this revaluation year, the BOC would adopt a schedule of values and it was anticipated the tax base would have grown over the last four (4) years. Commissioner Barber stated there could be other things down the road the BOC

had not anticipated, but these were the only revenue streams he saw that could offset a potential tax increase.

Commissioner Pierce asked Commissioner Barber again what he had identified as the revenue stream to support his motion. Commissioner Pierce questioned whether Commissioner Barber was saying he wanted to raise property taxes to pay for the MOU.

Commissioner Barber said the voters had agreed to the increases in 2002 and 2011.

Commissioner Pierce then asked if Commissioner Barber was saying he was ready to implement the tax increase to which Commissioner Barber responded only if the majority of the two boards wanted.

After some discussion, Commissioner Pierce said he wanted to go on record saying that Commissioner Barber wanted to raise sales tax to give a revenue stream to pay for the MOU.

Chairman Sides asked the Commissioners to limit comments to the school projects at hand.

After a question from a member of the BOE, Chairman Sides reiterated that at this time he was allowing each Commissioner to comment, and then it would be up to the BOE to let their members address the meeting.

Ms. Kennedy asked, for procedural purposes, if there had been a second to the motion, to which Chairman Sides responded no.

Chairman Sides then asked for a second to the motion and with there being none, the motion died.

Commissioner Mitchell said the \$40 million in capital improvement projects being referenced were for a central office, the consolidation of two (2) west Rowan elementary schools, and facility upgrades at Knox Middle School. Commissioner Mitchell said if there was to be an open discussion then the three items that had been identified were what needed to be discussed.

Commissioner Mitchell went on to say the \$6.5 million debt issuance for a central office had been approved by the BOC for the 500 block of North Main, or anywhere other than 329 S. Main Street, and the project could move forward today. Commissioner Mitchell said there were very few differences in what the BOC agreed to and what the BOE requested. Commissioner Mitchell said he felt an MOU could be signed and the project could move forward with haste.

Commissioner Mitchell referred to the Knox Middle School project and the Woodleaf Elementary School issues. The rub on these projects, according to Commissioner Mitchell, was the revenue stream to pay for those projects. Commissioner Mitchell went on to state the BOC was not going to raise taxes to fund the remaining \$33.5 million, but believed the projects could move forward with an MOU that would be agreeable to both boards. The timing of the projects could be covered with current revenue streams. Commissioner Mitchell described how the County was maxed out without a tax increase in the 2013-14 year. Debt service on school projects would decrease by next years' budget, only to be followed by an increase in the years following. Commissioner Mitchell said if the design of the two (2) projects could be timed in such a way that the debt service money could cover the debt issuance, then he would be in favor today. Commissioner Mitchell said he felt there was not enough money coming off debt service rolls until 2020 to cover the entire \$40 million. Commissioner Mitchell stated that in 2020, the County's budget would receive a reprieve of \$3 million in school related issues. Commissioner Mitchell said there were three (3) priorities; #1 would be to move forward with the central office; #2 would be to move forward with discussions on Knox Middle School; which should bring the total at that point to around \$22 million. The #3 priority would be to squeeze out a water line extension for Woodleaf and move forward with the consolidation plans. With regards to consolidating the elementary schools, Commissioner Mitchell reiterated that it would take time for discussions with the community on site selection and plans in order to make the consolidation possible. Commissioner Mitchell said this was an approach he was willing to support in the requested \$40 million, minus a tax increase. Commissioner Mitchell recommended the County's Finance Director and the BOE Finance Director get together to work out the timing for the debt payments. Commissioner Mitchell said this would be a small issuance of debt up front for the central office, Knox Middle and a water line to Woodleaf. The BOE would make a decision in 2020 regarding the plans for the two (2) schools. Commissioner Mitchell said he did not want to lock into tearing down the two (2) schools and binding future BOE members to a plan. Commissioner Mitchell said the benefit to the BOE would be the ability to start a central office building immediately, start on Knox Middle to address safety issues and be able to get Woodleaf Elementary in a good situation.

Commissioner Caskey said he did not have a problem with the \$40 million or the central office project as presented. Commissioner Caskey said his problem would be if there had to be a tax increase to make the projects work. Commissioner Caskey said he would like to hear from the BOE members to see if it would be possible to stretch out the projects over the next few years. Commissioner Caskey also felt that Commissioner Mitchell had come up with a good idea to have the finance officers, County Manager and Superintendent get together to come up with a plan as to how the projects could work without a tax increase. Commissioner Caskey said he would not support the use of lottery funds as the funds were used to pay for 2002 bonds. Commissioner Caskey said

he hoped the issues could be worked out today; however, it might require more talk between the finance officers in order to bring back a plan to the boards. Commissioner Caskey went on to say that a bond referendum would let voters decide on their own tax increase for the remainder of the monies. Commissioner Caskey said he was open to what had been presented and looked forward to getting the issues resolved.

Commissioner Pierce said that he was willing to give the schools all of the lottery money as soon as the bond was paid out with what was left from the State. The Commissioners would have diminished monies available for capital projects if that were to happen by shifting the responsibility of the capital improvement projects off the Commissioners and on to the BOE. Commissioner Pierce said he did not want to tie the figure down to \$40 million. Commissioner Pierce explained that if the three projects that had been identified were taken out over the next 6 years so that the debt service could be paid for by Articles 40 and 42, the cost may increase and \$40 million would not be enough. Commissioner Pierce said he would prefer the BOE prioritize the three issues. Commissioner Pierce said if the BOE felt Knox was more of a priority, the identified \$28 million could be handled through Articles 40 and 42 through 2020. At that point in time, Commissioner Pierce said he was in agreement with Commissioner Mitchell that the BOC could do what was needed to improve the safety and environmental issues at Woodleaf Elementary School, as well as issues at Cleveland Elementary to reach 2020 when \$4.5 million would be free in debt service to build a new consolidated elementary school. Commissioner Pierce went on to state the \$28 million figure identified was because the County had that money available by borrowing and using the debt service Articles 40 and 42. The proposed figure for the central office and Knox came in at \$22 million. Commissioner Pierce said by having \$28 million, the BOE could move forward with plans, repairs, land acquisition and then waiting on 2020 for the revenue stream.

Commissioner Pierce discussed the purpose of Articles 40 and 42 and explained that the Legislature came up with the Articles in 1984 due to having trouble with the schools identifying capital needs. Commissioner Pierce went on to state that in several news media outlets, Salisbury was ranked #5 in poverty in the nation. Commissioner Pierce did not feel a tax increase on property was the way to address the school issues, especially when the community had a 30% poverty level. Commissioner Pierce said adding a 4% tax increase would just not be prudent to pay for capital improvements when there was a revenue stream from Articles 40 and 42. Commissioner Pierce said he was in agreement to vote for clarifying which of the projects were the BOE's priorities and stated he felt the central office project would probably be the biggest priority. Commissioner Pierce said there had been a 3-2 vote by the BOC to proceed on the central office and he would vote for it again. Of the remaining projects, Commissioner Pierce asked which ones would be prioritized. Commissioner Pierce said he

would like to identify each one of the needs separately and identify a revenue stream for each one.

Chairman Sides said he would like to correct a couple of false statements that kept being made. Chairman Sides said the only issue with any of these projects was the funding. Chairman Sides stated that most of Commissioners felt the money should not come from a property tax increase.

Chairman Sides read from several statutes pertaining to Articles 40 and 42 and the use of lottery funds. Chairman Sides said the statutes proved that Articles 40 and 42 and lottery funds were created as a revenue stream for counties to assist in meeting the legislative authority in providing for capital needs of the public school system. Chairman Sides said it was false to say the County was stealing those funds, as none of those monies go anywhere except to capital expenses for the school system.

Chairman Sides quoted a statement in a letter from Dr. Miller dated January 10, 2014, and said it was a false statement. Chairman Sides said he asked the Assistant County Manager to provide all BOE members with a spreadsheet that shows over the next six years how much local property tax money would go towards school debt. Chairman Sides pointed out that there was twice as much coming out of the County's general fund every year to service debt than the combined sales tax and lottery funds. Chairman Sides said the County was exercising its legislative authority to appropriate those funds. Chairman Sides said he agreed with an earlier statement by Dr. Miller that it was up to the BOC to determine the method of financing. Chairman Sides went on to say he would like to see the schools have the \$40 million if it truly represented the BOE's top priorities. Chairman Sides stated there were some conditions on his vote. He would not vote for any agreement that would tie the hands of the current BOC or future boards as it related to the distribution of lottery proceeds and Articles 40 and 42. Chairman Sides said he would not allocate additional funds for a project and there would be no appropriation for funds for an identified project to be redirected elsewhere. The amount of money borrowed should be exactly what was needed. Chairman Sides said the BOC had agreed to allow the energy savings project to go forward and he was not in favor of the BOE taking over the project. Chairman Sides felt the project should be bid out and awarded to the company that offered to provide the best upgrades at no cost to the County or the school system.

Chairman Sides said were three ways he would vote to provide the \$40 million dollars requested. To begin with, Chairman Sides said, the three (3) priorities would be identified by the BOE. The first priority would be allowed to start immediately and all projects would be financed with Articles 40 and 42 sales tax. Chairman Sides pointed out that the BOE had \$3.2 million in capital funds that was not appropriated in this current budget year for any purpose. Chairman Sides noted the BOE had identified \$1.5 million in roof repairs, and to date, no

repairs had been made. Chairman Sides said that left \$2 million in the fund to allocate to service debt over a period of years until the bond was paid off. Chairman Sides also said that the projects should be staggered so that the debt would not be incurred at one time.

Chairman Sides said at no time in the past when the central office project was discussed, was it understood that the BOC would have to come up with additional funds to pay for it. Chairman Sides said it was his understanding that if the County had approved a 15 year lease to allow the City of Salisbury to build a central office at 329 S. Main Street the BOE would make the debt service payment with the current capital funds available.

Chairman Sides said the second way to allow the schools to have the \$40 million would be to identify the three (3) priorities and put them on the ballot and let the tax payers decide if they wanted to fund the projects or not.

The third way, according to Chairman Sides, would be for the BOE to take the County to court and let a jury of twelve (12) in Rowan County decide if they want to be responsible for raising taxes in Rowan County. Chairman Sides felt the third option would be the easiest as it would take the blame off of the BOC and place it squarely on the BOE. Chairman Sides said it was time to disengage the high priced lawyers involved in the mediation process and form a Capital Committee to meet quarterly to resolve the needs. The BOE had identified \$126 million in capital needs, which Chairman Sides said would mean a 12.6% tax increase to address at one time.

Chairman Sides referred to the handout and noted the amount of money wasted thus far in negotiations. Chairman Sides pointed out \$165,000 had been spent on lawyers. Chairman Sides said the mediation process had done nothing to educate one (1) child in Rowan County, nor had it hired one teacher in the classroom. Chairman Sides said if there was a lawsuit filed by the BOE it would not be the five (5) Commissioners that were being sued. Chairman Sides said Rowan County had 28% of its people living in poverty, 26,000 on food stamps and Medicaid, and a lot of our schools have 70% of students on free or reduced lunches. Chairman Sides said these were the people that would be burdened with the \$40 million. Chairman Sides felt like the two (2) boards could work out the issues but the County could not be hit with \$40 million at one time and not be expected to ask questions.

Chairman Sides went on to say that the parking area had not been identified for the new central office and the cost of the building would far exceed the cost of any other building that had been identified.

Chairman Sides said he understood that some of the BOE members were not on the BOE when the 2002 bonds in the amount of \$76.9 million were passed and improvements made. Chairman Sides said the voters did not vote for their taxes

to increase, but rather voted if it was necessary to increase taxes, the BOC had the ability. Chairman Sides felt the BOC had been very responsible in living within their means, and had met the challenges by providing \$6.5 million or more each year until the bonds were paid off. Chairman Sides stated all those funds came from the general fund which was property tax money, and taxes had not been raised. Chairman Sides said that he would not vote to give the schools a blank check for \$40 million. Chairman Sides said the County would still put in \$6.5 million per year for debt service until 2020. Chairman Sides went on to say that if the Capital Committee was formed, they would identify the capital needs for the next ten (10) years and be able to address the issues with a major capital project in 2020. Chairman Sides stated he felt the BOC would step to the plate and meet every capital need in a responsible manner, without a tax increase.

Dr. Miller said the BOC had indicated receipt of an MOU dated December 31, 2013. Dr. Miller noted a motion was made at the start of the meeting but had died for lack of a second. Dr. Miller said mention had been made of motions for \$6.5 million and \$22 million that had been passed, but to date, there was no new response to the \$40 million. Dr. Miller asked for a brief recess to communicate with the BOE to review what had been said thus far.

Chairman Sides called for a recess at 10:05 a.m.

Chairman Sides reconvened the meeting at 10:50 a.m.

Dr. Miller said there had been a lot of dialogue this morning related to the topic of mediation and settling the funding dispute.

Dr. Miller said both boards had been discussing the issues for a long time and the central office, Knox, Woodleaf and Cleveland had been on the discussion table since 2005. Dr. Miller said "kicking the can down the road" until 2020 would not solve any of the problems and would only create more problems. Dr. Miller felt spending millions, as had been suggested, on a stop gap for Woodleaf would not be good fiscal management. Dr. Miller said no one was disputing the needs and now was the time to do the right thing for 20,000 kids.

Dr. Miller asked Ms. Heidrick if the County could provide the \$40 million for the proposed school capital needs over the next three (3) years with the existing funding streams to which Ms. Heidrick replied no. After further explanation, Ms. Heidrick said the County could do approximately \$26 million. Ms. Heidrick stated the split with the restricted sales tax and going back to 2006, the County was retaining \$2.5 million, which had decreased every year, with this year it being \$2,135,000. Ms. Heidrick said if it was taken back to a level of \$2.5 million and the County started doing that immediately, the County could fund up to \$28.5 million, which would be ongoing. Ms. Heidrick said restricted sales tax this year was estimated at \$4 million, and beginning next fiscal year, with the split, the

County could retain \$2.5 million and the BOE would get \$1.5 million, less what Kannapolis School System would get.

Dr. Miller said there was an avenue for funding part of what had been put on the table. Dr. Miller said the BOE requested approval of \$40 million in projects and with any savings for what was appropriated to the school system to be used to cover other costs in capital. Dr. Miller also requested that the professional staff agree to the drawdown process and funding process. Dr. Miller said that the BOE believed \$40 million was the figure needed and he felt that had been shown. Dr. Miller stated the talks could go on about roofs, cafeterias, and walls, but short of the sales tax monies and no lottery money, there was no revenue stream to keep up the buildings. Dr. Miller said all the monies were tied up in servicing the bonds and that there needed to be some revenue stream. Dr. Miller said there were 35 buildings to keep up and no revenue streams to support that, except for what the BOE could save. Dr. Miller said that he believed with the BOC approving the capital request, work could be done on how the funding went over the next three (3) years.

Commissioner Caskey said the BOC could do \$6.5 million today and the other \$22 million after January 1st of next year. Commissioner Caskey said he was not sure of the other \$11.5 million but felt the BOC could do the \$28.5 million without a tax increase.

Ms. Norman said in order to get to the other issues, the BOE needed resources for planning and that had not been included. Ms. Norman stated that \$6.5 million was just for one project and did not include any preliminary work to get ready for Knox or the other elementary school.

Dr. Miller reiterated that \$6.5 million could be generated immediately and up to \$28.5 million could be done without a tax increase within a year. Dr. Miller said if there was recognition of the need for \$40 million and \$28.5 was appropriated it was a starting point.

Mr. Page said there had been discussions about the \$6.5 million now and \$21.5 million by January of next year. Mr. Page stated that during those discussions, with the money the BOE had in capital, if the BOC were to do the \$6.5 million for the central office and borrowed it within the next 90 days, the BOE could have new drawings between now and next August for the Knox Middle Project. Mr. Page said the drawings would be put out for bid, come back next year and the BOC would then borrow money for the Knox Middle Project. Mr. Page said if the BOE would front the engineering fees, which would be a leap of faith to work together, there was a reimbursement resolution so that when the other \$15 million was borrowed, the BOC could refund the BOE's expenses for land and engineering. Mr. Page said these steps would theoretically not be a tax increase. Mr. Page explained that there would need to be a 2.25 cent tax increase should the request be for \$40 million over three (3) years. Mr. Page said the argument

could be made that the money was thought to have been fronted for the central office plans and he understood that issue.

Dr. Miller asked for clarification of the County not getting the \$40 million by FY 2016 without a tax increase.

Chairman Sides said that he wanted to make certain everyone understood creative financing in that payments would need to be deferred for a couple of years, as there was no money available for debt service right now. Chairman Sides said there would need to be a finance structure of interest only until money was available to pay for debt service.

Dr. Miller asked if it was being said that the County could afford the \$40 million by June 30, 2017.

Ms. Heidrick said the figure was \$28 million. Ms. Heidrick said the County would have to appropriate fund balance the first couple of years and recoup in the next few years. Ms. Heidrick stated that the schedule showed approximately \$6.5 million through 2019 when the budget opened up for capacity again, with no tax rate increase.

Ms. Norman stated what was being said was that the support for the \$40 million in projects was being talked about in theory, but that the schedule did not meet the BOE's needs.

Ms. Heidrick responded that what would be anticipated was for the BOE to identify needs and the County would move forward with a couple of projects. Then, the two (2) boards would sit down together to determine if a tax increase was needed in a year or two to meet the remaining needs.

Chairman Sides said his understanding was never that the County was to be responsible for the debt payment for the \$6.5 million identified for the central office, as it was to come out of the BOE's capital fund. If the County had approved a 15 year lease for a central office building through the City of Salisbury, Chairman Sides said the lease payments would be coming from the capital expense. Chairman Sides said if \$6.5 million was to be taken out of the mix, bringing the total to \$35 million, it could be handled between now and 2017.

Dr. Miller said committing all the sales tax to debt service would leave no money for maintenance. Chairman Sides responded the BOE would still be left with \$1 million.

Dr. Miller asked for clarification if what was being offered was for the BOC to appropriate \$28 million today for a central office project and Knox Middle.

Chairman Sides said that was more than was need for the two (2) projects.

Commissioner Mitchell said if there was approval for the \$6.5 million for the central office to move forward, there was an additional \$22 to \$22.5 million that could be drawn down in January 2015 with a reimbursement resolution for preliminary costs. Commissioner Mitchell said there would be an MOU, a legally binding document for reimbursing expenses. Commissioner Mitchell said he believed Chairman Sides was saying \$22 million was more than what was needed for Knox Middle. Commissioner Mitchell said he was personally okay with the \$22 million if the BOE provided a timeline for how the remaining dollars would be used for the future Woodleaf Project. Commissioner Mitchell went on to say there was no need to draw down all the funds at one time. If the BOC authorized the \$6.5, it would be drawn down completely and the other \$22 million would be drawn down as needed. Commissioner Mitchell suggested that with the timing of the draw downs, the remaining \$11.5 million might be available earlier than expected. Commissioner Mitchell said he agreed with Chairman Sides in not approving the extra \$22 million to spend on projects, but rather showing the BOC how it would be spent on the buildings and projects. Commissioner Mitchell said on the positive side, not drawing down the \$6.5 million might allow the BOC to cover debt service payments quicker than anticipated.

Dr. Miller commented that money flowed through as bills were presented.

Mr. Page said the County would borrow the amount along with the amount needed to finance the recent purchase of the former Salisbury Mall (Mall). The money would be put into an interest bearing account, with the Mall account being separate from the central office money, and whatever interest was accrued would stay with the project. Mr. Page said every time the architect did work, a bill would be submitted, the BOE would sign off, and it would be charged to the appropriate account.

Chairman Sides stated the County did not want to borrow money every six (6) months; therefore there had to be a schedule to show what projects would be needed.

Dr. Miller said since the BOE was not looking at land and community discussions, a Knox Middle School project was quicker to get off the ground than a West Rowan project. Dr. Miller went on to say that part of what the BOE needed was a commitment to the \$40 million need and the BOC would fund \$28 million of that amount now with future discussions.

Commissioner Mitchell said he would support an MOU for \$6.5 million to be effective immediately and \$22 million in 2015. Commissioner Mitchell said he would want the committee to begin to meet and work with that schedule and not wait until the drawn down was imminent. Commissioner Mitchell said the boards needed to identify the remaining \$11.5 million and where it was going.

Commissioner Mitchell said there was frustration, confusion and a disconnect between the two boards and based on the document the BOE had sent, the BOC thought the BOC was on notice that the needs were right now. Commissioner Mitchell described the list for \$128 million as sticker shock, realizing it would take two (2) bond issues to cover those costs. Commissioner Mitchell felt the committee needed to meet regularly, along with finance staff, and plan when projects needed to happen, realizing that when the boards change, the plan could change.

Mr. Wagoner agreed with the comments made by Commissioners Mitchell and Caskey. Mr. Wagoner said there was the argument that the central office was not a pressing need, but yet was the most readily available to be funded. Mr. Wagoner said the central office should move forward in order to put the issue behind both boards. Mr. Wagoner went on to say having money next year to get the Knox Middle project started would be a jump start for the community to see progress being made. Mr. Wagoner said another issue that needed be addressed immediately was the roofing needs for existing facilities. Mr. Wagoner felt that he could support the proposal with the parameters in place, along with the committee being formed.

Commissioner Barber asked whether this was the same scenario as the December 12th settlement offer. Dr. Miller responded that while he did not have that particular information in front of him, there were elements in that initial proposal matching the money being offered today. Dr. Miller said the bottom line would be the BOC would commit the needed \$40 million and by 2017 have the funds available. Dr. Miller said the start could be with the \$6.5 million, then Knox, and next start developing the West Rowan project and have staff prepare a timeline for the draw down so in 2016-17 the project could begin.

Commissioner Pierce said he was confused as the conversation had gone from \$22 million for a school for the western elementary project to \$22 million for the Knox project. Commissioner Pierce said that the BOE had made Knox the priority but left the funding the same. Commissioner Pierce said Knox had been identified at \$12 million but now the BOE wanted \$28 million; \$6 million plus \$22 to use on Knox. Commissioner Pierce said part of what these discussions were for were to prioritize the projects, put a number to them and set a draw down schedule. Commissioner Pierce said the funds needed to take care of Knox, land acquisition, drawings, engineering, and everything else for the middle school project. The balance of the \$12 million would be for the completion of the school. Commissioner Pierce said he felt the dollars were getting the out of context with the projects.

Commissioner Mitchell explained that if the \$28 million was approved they would draw down and work on the projects in that priority. With \$6.5 million used and \$15 million coming out for Knox that took the figure to the \$22.5 million range, leaving \$7.5 million, with the expectation that it would not be used unless it was

used for preparations for the new west Rowan elementary. Commissioner Mitchell said the BOE would need to be far into the process before considering a draw down of the extra \$7.5 million, and there would be no draw down without the finance director approval. Commissioner Mitchell said by not allowing the draw down on the \$7.5 it could possibly accelerate the schedule for the total draw of the remaining \$11.5 million.

Mr. Hughes said all the projects were urgent projects and were prioritized by what could be done immediately. Mr. Hughes felt it did not make sense to put the elementary school at the top of the list when Knox and the central office were ready to go. Mr. Hughes said it would take a year to deal with a sale, energy in finding the land and agreeing on the location. Mr. Hughes reiterated that all three were urgent but prioritized based on efficiency to get them completed.

Dr. Miller said what was needed was a motion stating support for the concept of the \$40 million by June 30, 2017.

Chairman Sides asked to clarify one thing and then asked Ms. Heidrick if she had said the County could not do \$40 million by 2017.

Ms. Heidrick responded that she would need to look at several different scenarios, but the County could do the \$28.5 million. Ms. Heidrick said if the County were to do \$40 million with no structure there was no way to do it without a tax increase. Ms. Heidrick said if the project were to start in 2017, she would need to look and see how far out debt services could be pushed.

Commissioner Mitchell moved to authorize debt up to \$28.5 million by January of 2015 with \$6.5 million being able to be drawn down very soon based on schedules with both finance directors. Commissioner Mitchell continued by saying the remaining \$22 million could be drawn down no earlier than January of 2015, assuming a proper design, build and draw down schedule had been established through the Capital Improvement Committee with the intention being that a total of \$40 million would be available based on a schedule that would be drawn by both finance directors. Commissioner Mitchell said the motion, on behalf of the BOC, included a reimbursement resolution on the Knox project to allow the BOE to begin early items on that project. Commissioner Mitchell said this would be a binding agreement with an MOU. Commissioner Mitchell pointed out that he wanted everyone to be clear that this was not a blank check for \$28.5 million and that the monies were for specific projects. Commissioner Mitchell wanted both boards to commit that something needed to be done at Cleveland and Woodleaf. Commissioner Mitchell also wanted to make it clear that in terms of binding future boards on the remaining \$11.5 million, it would be the intention of the BOC to appropriate the \$11.5 million, but elected boards changed and the intention could change with future BOC and BOE boards. Commissioner Mitchell said the only guarantee would be the \$28.5 million by January of 2015, with a sincere effort to provide the \$11.5 million. Commissioner Mitchell said he would

not put a date on the \$11.5 million because Ms. Heidrick still needed to review the figures.

Commissioner Mitchell restated the motion as \$28.5 million in debt service available with \$6.5 million now and \$22 million in January of 2015 based on a draw down schedule determined by the Capital Improvements Committee and the recommendation to include Ms. Heidrick, with acknowledgement by the BOC there remains an immediate need of \$11.5 million to finish out the west Rowan elementary project and to take any efforts short of a tax increase. Commissioner Pierce seconded the motion.

Chairman Sides asked to amend the motion to set a max draw down for Knox at \$15 million.

Commissioner Mitchell said he was willing to amend the motion to set an initial cap on Knox at \$15 million so that all three (3) projects could get done, as had been decided and should the Knox project go over, the BOE would have to come before the BOC. Commissioner Mitchell said he did not want to add the amendment as a stick to beat someone with in case there were cost overruns, but he was agreeable to the \$15 million cap.

Commissioner Mitchell asked Ms. Heidrick if the way the motion was stated would fit the parameters of debt servicing estimates with no tax increases and Ms. Heidrick agreed.

Commissioner Pierce seconded the amendment.

In response to an inquiry from Ms. Norman, Ms. Heidrick said the agreement, as she understood, the County was retaining restricted sales tax to pay the principal on the 1993 bond referendum. Beginning in FY 2017, those bonds would be paid off. Ms. Heidrick said if the County immediately, in 2015, increased the amount of restricted sales tax the County kept to pay for debt service and raised it to \$2.5 million to where the debt could be structured for the \$28.5 million, the majority of the money could be paid beginning in 2017. Beyond that point, Ms. Heidrick said she would be trying to see when the remaining money could be drawn down. Ms. Heidrick said in 2020 the debt again drops and there would be capacity in 2020. Ms. Heidrick said it did not mean that we had to wait until 2020 to borrow the funds due to being able to structure the debt to where it was interest only. Ms. Heidrick said she could not provide the year for it.

With regards to comments made by Dr. Miller, Chairman Sides said the BOC recognized the BOE had capital needs beyond the \$40 million; however, the BOC was not voting on \$128 million today. Chairman Sides said there was a motion on the floor and a second to approve \$28.5, which is \$6.5 million more since the BOE originally intended to pay the debt service on the central office.

Commissioner Mitchell added the BOC was also voting on creating the Capital Improvement Committee which would work with the finance staff to get the remaining \$11.5 million as soon as possible.

Commissioner Barber questioned lottery funds drying up and not binding a future board. Commissioner Barber said with previous BOC's, the voters had approved a tax increase through the bond referendum and the voters' wishes had not been honored.

Commissioner Mitchell said Commissioner Barber's statements were incorrect. Commissioner Mitchell discussed the last school bond issue in the amount \$76.9 million and said the voters had approved "up to" a 6.7 cent tax increase, if necessary, to carry out the projects. Commissioner Mitchell said the Commissioners did not have to increase taxes by the full amount to carry out the bond projects; therefore, it was a false statement to say the County did not fulfill the voters' wishes. Commissioner Mitchell said the motion provided the BOE with two-thirds of their immediate need with a commitment from the BOC to fund, as quickly as possible, the stated need in the west Rowan area.

Commissioner Barber said he was not trying to muddy the waters, but he had rather just put up the legally binding \$40 million and be done with it.

Upon being put to a vote, the motion on the floor carried 4-1 with Commissioner Barber dissenting.

ADJOURNMENT

There being no further business to come before the Board, Chairman Sides adjourned the meeting at 11:50 a.m.

Respectfully Submitted,

Carolyn Barger, CMC, NCCCC
Clerk to the Board/
Assistant to the County Manager