

MINUTES

STATE OF NORTH CAROLINA  
COUNTY OF HENDERSON

BOARD OF COMMISSIONERS  
JUNE 13, 2006

The Henderson County Board of Commissioners met for a special called meeting at 5:00 p.m. in the Commissioners' Conference Room of the Henderson County Office Building.

Those present were: Chairman Bill Moyer, Vice-Chairman Charlie Messer, Commissioner Larry Young, Commissioner Shannon Baldwin, Commissioner Chuck McGrady, County Manager Steve Wyatt, Assistant County Manager Selena Coffey, Assistant County Manager Justin Hembree, County Attorney Russell Burrell, Clerk to the Board Elizabeth Corn, Deputy Clerk to the Board Amy Brantley and Finance Director J. Carey McLelland.

CALL TO ORDER/WELCOME

Chairman Moyer called the meeting to order and welcomed all in attendance. The purpose of this meeting was a workshop on the FY 2006-2007 Budget.

DISCUSSION/ADJUSTMENT/ADOPTION OF AGENDA

*Commissioner McGrady made the motion to approve the agenda. All voted in favor and the motion carried.*

CAPITAL PROJECTS FINANCING UPDATE

Mr. McLelland presented the following capital projects financing update, and list of the 2006A COPs capital projects financing project costs:

- BOC approved resolution to borrow an estimated **\$51** million for capital projects based on architect's project cost estimates plus closing costs for a total of **\$51.82** million.
- New Sugarloaf Road School bid comes in under construction cost estimate with some value engineering done for contingency keeping total project budget at **\$15.3** million.
- BRCC Technology Building construction bid comes in **\$1** million under construction cost estimate. Total BRCC project budget reduced from **\$16.3** million to **\$15.3** million for the LGC application.
- LGC application submitted for **\$51.82** million in capital project costs for the four projects. Since bids not in for Historic Courthouse and Mills River Elementary School projects, **\$1** million in savings on BRCC project bid allocated 50/50 between these two projects as suggested by the LGC.
- Rating agency upgrade to **AA-** from A+ on our outstanding GO Bonds from Standard & Poor's. Now have **AA** rating from all three rating agencies on our outstanding GO Bonds.
- LGC approves County application for financing for a not to exceed amount of **\$51.82** million.
- Historic Courthouse construction bid comes in under cost estimate and total project budget of **\$10** million.
- Mills River Elementary School construction bids, including **\$613K** in alternate bids, come in **\$2.9** million over construction cost estimate.
- BRCC cost estimate of **\$1.2** million for equipment provided by project architect. Today we learned that total project budget short **\$900k** due to incorrect cost estimate for equipment in project budget.
- Total project costs for all four capital projects exceed capital project loan proceeds by **\$3.4** million.

2006A COPs capital project proceeds	\$51,000,000
Less project costs:	
Sugarloaf Road School	\$15,300,000
BRCC Technology Building	\$16,200,000
Historic Courthouse	\$10,000,000
Mills River Elementary School	\$12,938,316
	(\$54,438,316)
Project costs exceeding proceeds	(\$ 3,438,316)

DATE APPROVED \_\_\_\_\_

## Mills River Project

Total project funding	\$10,400,000
Less: Total project costs	(\$12,938,316)
Costs in excess of funding	(\$ 2,538,316)

## BRCC Project:

Total project funding	\$15,300,000
Less: Total project costs	(\$16,200,000)
Costs in excess of funding	(\$ 900,000)

**HISTORIC COURTHOUSE PROJECT BIDS**

Russ Burrell distributed an agenda item which included the bid tabulation sheet and a letter from the project architect recommending approval. H&M Constructors, a division of MB Haynes Corporation was the low bidder. The County Attorney's Office had reviewed the bid, and it conformed with the requirements of North Carolina's bidding procedure.

As the total project, including the schools, included in the funding was not within the overall budget, Mr. Burrell noted that it would be appropriate to allow "value engineering", or negotiation with the low bidder, to a small extent. There was a chance for some small cost savings below the low bid due to some issues with lighting fixtures. He recommended the Board negotiate with the low bidder, and authorize the entry of a contract in an amount not to exceed the amount of the low bid received.

*Commissioner McGrady made the motion that the Board award the contract for the renovation of the historic courthouse and the construction of a new annex to H&M Contractors, a division of MB Haynes Corporation, including the alternate bid, in an amount not to exceed the amount of the bid received, which was \$8,297,000. All voted in favor and the motion carried.*

**PUBLIC SCHOOL SYSTEM AND COMMUNITY COLLEGE CAPITAL PROJECTS BUDGETS**

Chairman Moyer reminded the Board that the County had been using a figure for equipment for the Technology Building, for which BRCC was now requesting an additional \$900,000. Dr. David Sink, President of Blue Ridge Community College (BRCC), stated that BRCC was operating on the assumption that they had \$16.2 million dollars for the Technology Building project, based on the information from their architect. The bids for the construction of the building came in under that amount. BRCC's business manager then submitted a form to the County Manager for signature, which showed a higher equipment figure. The equipment budget had been underestimated by BRCC - they did not put the full amount needed to equip the building in the budget as they were looking at funding sources outside the County. When the bids came in under the estimated amount, they shifted that savings into equipment.

David Hutto distributed a summary of how the budget had changed since September, 2004, when it was originally submitted to the Board of Commissioners and Community College system. The original estimate was for \$12 million. By December 2005, the architect had indicated that construction costs had increased substantially, and the estimate was raised to \$16,219,572. BRCC understood that the County had accepted that figure, rounded to \$16.2 million, and that was the budget that they worked forward on. When the bids came in under budget, they still considered that they had a \$16.2 million budget from the County. They shifted \$104,000 into the contingency fund, \$14,000 into the special inspections fund, and the remainder into the equipment budget. The full estimate to equip the building was \$2,627,005. Since the County had previously increased its commitment from \$12 million to \$16.2 million, they did not wish to come back with a request for more money to equip the building.

Ed Bell stated that from the very beginning, BRCC had known it would take more than a million dollars to equip the building. Their main priority however, was to stay within the dollars they felt were allocated to the project, and get the building built. For projects in the past, they have had the flexibility of using construction

dollars for equipment to make up differences. They had also been looking to federal and private funds to supplement the equipment budget. Mr. Bell estimated the total equipment package for the building at \$3 million by the time the building is in place and equipped.

There was much concerned discussion amongst the Board about the figures they had been provided, versus what they were now hearing were the actual needs to complete the Technology Building. If the construction bids had not come in under budget, BRCC would have had less than half the funding needed for equipment. Commissioner Baldwin stated that a Technology Building without technology equipment was just another building, not a Technology Building. If it were the pleasure of the Board, Mr. McLelland would need authorization from the Board to change the equipment line item on the College's form from \$1.2 million to \$2.6 million. The deadline to make a decision on this item, and Mills River School, was no later than the next day. The preliminary official statement for this financing had to be published on Thursday, June 15<sup>th</sup>.

Dr. Stephen Page, Superintendent of the Henderson County Public Schools, addressed the issue of the Mills River Elementary School construction bids. He stated that he couldn't begin to express the disappointment they had when bids were opened, and they were so dramatically off from the architect's estimate. As presented in Mr. McLelland's earlier figures, the Mills River project came in \$2,538,316 over estimate. Dr. Page had spoken with the contractor on the amount of the bid, and had been told that the higher cost was due to the three year duration of the project. He questioned what the costs would have been had they bid the project in two phases, as had been discussed.

Dr. Page proposed the following ideas to help the County with the funding:

- Appropriate the entire \$12,938,316 in June 2006
- The first \$10,399,316 could come from the COPs issuance, with the balance being certified by the County to fund under a future COPs.
- The addition could also come from another source such as bank financing.

Chairman Moyer stated that using the information presented at the past few Joint Schools Facilities Meetings, Mills River Elementary had a capacity of 397, with 444 students in it currently. The Board was being asked to spend over \$13 million to take that school up to a capacity of 508 in 2011. Chairman Moyer felt that other schools also had pressing needs, while this construction would only add about 50 students at a tremendous cost. The brand new Sugarloaf Elementary was going to be built for only \$15.3 million. Dr. Page pointed out that the \$13 million wouldn't just add the additional capacity, but would essentially result in a brand new school for Mills River. They are currently at 17 classrooms, and post renovation there would be 30 brand new classrooms with a capacity for 600 students. He also spoke to the condition of the existing buildings, stating that termites might very well be holding up the gymnasium, and the mobile classrooms were possibly the worst he had ever seen.

Chairman Moyer questioned whether it legally possible for the Board to set aside \$4,000,000 for the gym and cafeteria and phase the project, without having a bid for the specific phase. Russ Burrell stated that the Preliminary Official Statement (POS) needs to be pretty well set in stone, and that says what the projects are going to be. Typically the POS define the projects fairly well, specifying what the construction entails and a not to exceed amount. If the POS become incorrect, that makes the sale a problem. There followed additional discussion about other financing options, such as private placement with a bank. Mr. McLelland stated that if the Board went that route, they would want to have no pre-payment penalty so it could be paid off and combined with something later on. Mr. Wyatt also discussed the upcoming 12-year capital improvements plan, stating that further discussion about the school would fit that schedule. If the Board wishes to extend the COPs to \$54 million, there may be a way to configure the COPs, but he did not see additional options if the Board wished to stay at \$51 million.

There was additional discussion among the Board about possibilities for Mills River. *Chairman Moyer made the motion to pull the Mills River project from the COPs financing, and give an additional \$800,000 to Blue Ridge Community College for equipment for the Technology Center.* Following additional discussion, *the motion carried 3-2 with Commissioner Baldwin and Commissioner McGrady voting in opposition.*

**DISCUSSION OF PROPOSED FY 2006-2007 BUDGET**

Per the Board's recent budget deliberations, Staff had prepared a list of potential additions and potential cuts to the proposed budget. Those budget adjustments were as follows:

POTENTIAL ADDITIONS TO THE BUDGET	AMOUNT	TAX RATE EQUIVALENT
BRCC Full Funding	\$1,178,427	\$0.0129
Schools Funding	\$4,094,777	\$0.0450
Current Expense (Full Funding)	\$1,147,507	
Capital Expense (Full Funding)	\$1,213,300	
Hillandale (Debt Service on \$14 million)	\$1,123,000	
Balfour Automotive Center	\$610,970	
Local Child Care Subsidy	\$405,288	\$0.0045
Chamber of Commerce: Shop Henderson County	\$10,000	\$0.0001
Rescue Squad	\$63,007	\$0.0007
EMS Improvements	\$479,000	\$0.0053
Vehicle Mechanic	\$41,182	\$0.0005
Increase COLA by 2% to match State Employees	\$513,000	\$0.0056
Restore Fund Balance	\$515,563	\$0.0057
Recreation (Full Funding)	\$3,002,307	\$0.0330
Renovations to Former City Water Building	\$200,000	\$0.0022
Adequate Public Facilities Plan	\$80,000	\$0.0009
Economic Impact Analysis Plan	\$50,000	\$0.0005
Social Services Supervisory Positions (3)	\$133,218	\$0.0015
<b>TOTAL</b>		<b>\$0.1183</b>
POTENTIAL CUTS TO THE BUDGET	AMOUNT	TAX RATE EQUIVALENT
Library Publications	-\$25,000	\$0.00027
Tuxedo Park Equipment	-\$50,000	\$0.00055
Reduction in Planning Contract	-\$10,000	\$0.00011
Sheriff's Department Technology	-\$15,000	\$0.00016
Mills River Watershed Program	-\$7,500	\$0.00008
Alliance Accredited Human Service Agencies	-\$4,250	\$0.00005
Agriculture Project	-\$45,000	\$0.00049
Purchasing Agent	-\$65,913	\$0.00072
<b>TOTAL</b>	<b>-\$222,663</b>	<b>\$0.00245</b>

Commissioner McGrady questioned the components of the \$479,000 for EMS Improvements. Mr. Wyatt answered that amount was for a full year funding, which would be very difficult to achieve. The breakdown was: 8 full time certified paramedics at \$350,000, \$90,000 for the purchase of an ambulance, and \$39,000 for additional equipment.

Chairman Moyer stated that with respect to the potential cuts to the budget, he would recommend eliminating the agriculture project and the purchasing agent. Commissioner McGrady questioned the effect of the decision regarding Mills River on the budget. Mr. Wyatt answered that it was roughly a penny.

*Chairman Moyer made the motion that the Board increase the Blue Ridge Community College funding by \$100,000, increase the schools funding for expenses by \$400,000, fully fund the Balfour Automotive Center, fund the EMS station in Edneyville for no more than a half year which would be \$250,000, move on an adequate public facilities plan setting aside \$25,000 to hire a consultant to start on that project, and make a commitment to DSS to begin solving their supervisory positions by adding one position this year estimated at \$45,000. To fund those he recommended eliminating the agriculture project and the purchasing agent. Chairman Moyer wished to accomplish that with a tax increase not to exceed \$0.05.*

Commissioner Baldwin stated that he felt it was important to fully fund the Adequate Public Facilities Plan. To secure a third source of revenue, he believed it should be funded to show the community the County is committed to taking the steps necessary to fund facilities on the front end rather than continuing to raise taxes for the facilities demanded by folks moving into the area. Mr. Wyatt had done some research with respect to this, and had a conversation with a group that had worked with numerous North Carolina counties on similar projects. Their estimate on consultation on such a Plan was \$80,000.

*Chairman Moyer modified his motion to fund the adequate facilities plan at an amount between \$25,000 and \$80,000. Following some additional discussion, a vote was taken on the motion. All voted in favor and the motion carried.*

*Commissioner McGrady made the motion to adjourn the meeting at 7:20 p.m. All voted in favor and the motion carried.*

Attest:

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Elizabeth W. Corn, Clerk to the Board

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William L. Moyer, Chairman

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