

DRAFT MINUTES

**STATE OF NORTH CAROLINA
COUNTY OF HENDERSON**

**BOARD OF COMMISSIONERS
APRIL 23, 2009**

The Henderson County Board of Commissioners met for a special called meeting at 3:00 p.m. in the Commissioners' Meeting Room of the Historic Courthouse on Main Street, Hendersonville.

Those present were: Chairman Bill Moyer, Vice-Chairman Charlie Messer, Commissioner Larry Young, Commissioner Chuck McGrady, Commissioner Mark Williams, County Manager Steve Wyatt, Assistant County Manager Selena Coffey, Attorney Russ Burrell and Clerk to the Board Elizabeth W. Corn.

Also present were: Deputy Clerk to the Board Teresa L. Wilson, Sheriff Rick Davis, Captain Greg Cochran, Public Information Officer Pam Brice, Finance Director J. Carey McLelland, Research/Budget Analyst Amy Brantley, Engineering Director Marcus Jones, Associate County Attorney Sarah Zambon, Planning Director Anthony Starr, Code Enforcement Director Toby Linville, and IT Director Becky Snyder.

CALL TO ORDER/WELCOME

Chairman Moyer called the meeting to order and welcomed those in attendance. He stated that the purpose of this meeting was a Facilities Planning Workshop to continue Board discussion.

FACILITIES PLANNING WORKSHOP

During the discussion of this issue at the last Board meeting the Commissioners requested some additional information. The consensus of the Board was to get to the point of making some decisions today regarding facilities and move forward and to conclude the meeting by 5:00 p.m. Chairman Moyer requested the County Manager review and updates the Board regarding facilities.

Steve Wyatt explained that on April 15 the Board met and had a lengthy discussion about facilities: needs, projects, opportunities. The Board discussed the construction environment and financial situation and the fact that those two may offer some opportunities to address some long-standing issues. Staff reviewed the discussion from the last meeting and came up with the following:

Projects List

Public Schools:

- Apple Valley/North High Classroom Building
- System-wide repairs and renovations

Blue Ridge Community College:

- Campus-wide repairs and renovations

Henderson County:

- Former Health Department Building
- 1995 Courthouse Overcrowding/Sheriff's Department
- Human Services Building Parking
- Former Chamber of Commerce Building

Project Estimates (Henderson County Projects)

Project	Projected Cost	Annual Debt Service Estimate (15 yrs/4%)
---------	----------------	---

Apple Valley/North High Classroom Building	\$8,000,000	\$720,000
Former Health Dept. Bldg.	\$1,000,000 - \$1,500,000	\$90,000 - \$135,000
Courthouse Annex/Law Enforcement Center (combined)	\$11,000,000	\$989,000
Law Enforcement Center Only	\$6,000,000	\$540,000

Jim Wilhide and Dan Mace (of Moseley Architects) had prepared the above figures.

The question was raised as to what the best use would be for the old Health Department Building. Renovations would depend on the use. About 1.5 yr. ago the estimate was about \$1.5 million.

Discussions were then centered on the former Chamber of Commerce Building: What fits best in this facility? Cost to up-fit the building dependent upon facility use. Rough cost estimate was \$400,000, to make it usable office space.

System-wide School Repairs and renovations	\$6,500,000	\$585,000
Campus-wide Repairs and Renovations	\$4,404,304	\$396,000
Human Services Building - Gravel Parking	\$11,000	N/A
Human Services Building - Paved Parking	\$25,000	N/A

The Commissioners and the School folks are looking at fast tracking the school repairs and renovations and Chairman Bazzle committed to being able to do these projects in 18 months.

Grand Total for the following Projects List = \$31,404,304.

Public Schools:

Apple Valley/North High Classroom Building	\$ 8,000,000
System-wide repairs and renovations	<u>\$ 6,500,000</u>
	\$14,500,000

Blue Ridge Community College:

Campus-wide repairs and renovations	\$ 4,404,304
-------------------------------------	--------------

Henderson County:

Former Health Department Building	\$ 1,500,000
Courthouse Annex/Justice Center (Sheriff -\$6,500,000)	<u>\$11,000,000</u>
	\$12,500,000

Grand Total = \$31,404,304

Steve Wyatt stated that if the Board takes a very aggressive approach to the financing and decides to push forward with these projects and if that is doable, how to do it.

Carey McLelland referred to a slide of the PowerPoint presentation. If the Board made the decision to finance the total costs for the above projects for 15 years @ 4% the total annual debt service payment would be \$2,825,000. He discussed funding sources for the different projects and the debt roll-off that

would occur each fiscal year. (**Option #1**) In this option the Board would use the full Capital Reserve Fund Balance of \$2,326,195.

Carey McLelland then referred to **Option #2**, a pay-as-you-go option. He explained that the capital reserve fund balance stands currently at \$2.3 million at the end of this fiscal year. He presented the annual cumulative debt service reduction that could be used. In FY 2010 there would be \$3,098,872 available, in 2011 there would be \$1,998,402, in 2012 there would be \$2,337,074, in 2013 there would be \$2,665,653 and in 2014 there would be \$3,000,318.

Carey McLelland then explained that **Option #3** is a Capital Reserve/Capital Interest Funding option. He had worked with Chairman Moyer to prepare this slide. Chairman Moyer explained that the other options make the assumption that the County Manager will be able to balance the expense budget with no additional revenues through the year 2012. Chairman Moyer doesn't think that the State is finished taking revenues from the counties. In Option #3 there is another major assumption – that we should not use all our capital reserve fund monies. This option and the prior one assume taking all of the capital reserve monies.

Chairman Moyer's Option #3 phases the projects in, doing the following:

- Schools Maintenance, BRCC Maintenance, Old Health Dept., and Chamber Bldg. in 2010
- Apple Valley/North High Debt Service (15 years @ 4%) in 2011
- Justice Center/Courthouse Annex Debt Service in 2012

Chairman Moyer explained that he didn't believe it is good business practice to finance maintenance projects with long-term capital debt. Chairman Moyer favors option #3.

Steve Wyatt stated that staff needs some direction. The Board's decision on which projects to prioritize and fund pre-empts the final budget proposal to be submitted for FY2010. Staff also needs timeframes and what funding to use.

Chairman Moyer asked Chairman Ervin Bazzle to speak to the maintenance projects and the time needed for those. Chairman Bazzle said if the Board of Commissioners tells him to do it in 18 months, then he will try to do it in 18 months. But his opinion is that it is preferable to have 2-3 years, need three summers. The most practical and best time table for the School Board is the one they put into their budget this year where the maintenance projects are phased in over a period of time.

Commissioner Williams feels the Board should push forward on these small projects. We are currently in a low cost environment. One of the major benefits of doing these small projects quickly is "job creation". He feels it should be done as quickly and efficiently as it can be. Not only are building costs lower now but interest rates are also.

Commissioner Young felt these projects should be done in 3-5 years and should not be financed. He'd like to see them done in three years but if the economy deteriorates further or our revenues deteriorate, then we may have to extend to five years.

Commissioner Messer said the list is growing, "let's stop the bleeding now". He also was opposed to borrowing money for maintenance projects, ditto for the college maintenance projects.

Commissioner Williams has a big concern about depleting our cash. He doesn't want to finance but feels that financing is better than depleting our cash. Cash flow is very important. He stated there are some unknowns in terms of what may happen in the way of state funding and the reduction of funds that we may receive plus the fact that interest rates are low and construction costs are also lower. He stated maybe

at a future date we can either pay off debt with cash we've saved or pay cash for other projects instead of financing at that point in time.

Commissioner Messer stated that we're looking at \$19 million for just the Apple Valley/North Henderson project and the school maintenance and the BRCC maintenance. He favors some debt on some of the projects. About every two years the county has grouped several capital projects together for financing purposes. In this economy he can understand going in debt for \$18 - \$20 million but not for the \$32 million needed to do the bulk of the projects. He and Commissioner McGrady are going to Raleigh next week and they hope to find out some more information regarding the State budget and how that might affect us. The State is still \$2 billion in the hole and we don't know how we're going to be hit. They have to balance the state budget and we have to balance the county budget. There are only two months left to try to come up with \$2 billion. He doesn't know where it's going to come from unless it comes from the 100 counties and all the municipalities. He can't approve the courthouse annex at this point in time, under today's economy.

Chairman Moyer made the first motion, to move Planning, Inspections, and Permitting to the old Health Department Building and to renovate it to the minimum extent necessary to house those facilities and that it be considered their permanent home which will give them some room for growth and include a meeting room that would be adequate to handle the needs of the Planning Department so they can have their own hearings and meetings in that building. Following some discussion, all voted in favor and the motion carried.

Chairman Moyer made the motion to move the Assessor's Office and the Tax Collector's Office into the 100 North King Street Building, basically doing the move as is but that the Board promptly study the recommendation received from the County Commissioners' Association and then determine the minimum cost to make that space usable for whatever reorganization the Board decides on. All voted in favor and the motion carried.

Chairman Moyer made the motion not to plan to bring the old Chamber of Commerce building up to handicap accessibility but to study that further and work in conjunction with moves in the 1995 courthouse to see if we can make that into a record storage area, mainly for the 1995 courthouse. All voted in favor and the motion carried.

Capital Projects

Chairman Moyer made the motion not to do any capital projects this year but to identify the Apple Valley/North Henderson Classroom Building project first on the list for FY 2010-2011, to schedule it for the budget in 2011 and to get it ready to go to bid as soon as possible.

Chairman Moyer expressed hope that the \$8 million construction figure will hold. Chairman Ervin Bazzle (School Board) and Jim Wilhide were both questioned about the aggressive schedule. It will take about 6 months to develop the drawings and plans, go to bid about October/November, and by the end of the 2009 have the bids back and are ready to begin construction by the end of the calendar year. It will take 12-14 months for construction so two years from now we would be able to occupy the school. Carey McLelland stated that the Local Government Commissioner (LGC) will require bids in hand before they will approve the financing. The debt service would be about a quarter of a year for the FY 2009-2110 budget. The full amount would begin in FY 2010-2011.

Chairman Moyer amended his motion (above) to move on the schedule mentioned in the paragraph above we'd have to incur some debt service in the last quarter of FY 2010 and then the full amount in FY 2011.

Commissioner Williams was not ready to vote on this yet and wished to share with the Board a rather detailed spreadsheet that he had put together of projects that he would plan but he only finished it about 30 minutes prior to the meeting. He asked Amy Brantley if it could be put up on the screen so that he could address his ideas with the other Commissioners regarding the borrowing aspect for these projects, going ahead with them and doing the financing. The merit he sees is preserving the cash and taking advantage of the opportunities identified. He thinks the risk may be greater, that we will pay more in the long run if we wait around.

Commissioner Williams had laid out a list of projects that he felt were priorities (from his standpoint) and put them in order and then looked at what all funding sources are available, looking at each year going forward. He is very interested in protecting our cash flow.

**CAPITAL FINANCING OPTION
SUBMITTED BY: COMMISSIONER MARK WILLIAMS**

Project	Total Cost	Debt Servicing
School Renovations	6,500,000	585,000
BRCC Renovations (less major projects)	2,200,000	200,000
Apple Valley / North Henderson Expansion	8,000,000	720,000
Old Health Department Renovation (Consider paying for from cash)	1,000,000	90,000
Law Enforcement Center (Put plans together for next budget cycle)	<u>6,000,000</u>	<u>540,000</u>
	23,700,000	2,135,000

Funding Sources	2010	2011	2012	2013	2014
Capital Reserves + Surplus	2,236,195	3,599,935	4,318,676	4,776,089	5,062,081
Debt Service Reduction	772,677	1,998,402	2,337,074	2,665,963	3,000,318
Budgeted School Renovations Variance	1,805,339	755,339	25,339	(244,661)	(244,661)
Budgeted BRCC Renovations Variance	90,724	-	-	-	-
Interest – Unapplied Loan Funds	<u>200,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,194,935	6,453,676	6,911,089	7,197,081	7,817,738

New Debt Servicing	2010	2011	2012	2013	2014
School Renovations	585,000	585,000	585,000	585,000	585,000
BRCC Renovations	200,000	200,000	200,000	200,000	200,000
Apple Valley/North Henderson	720,000	720,000	720,000	720,000	720,000
Old Health Dept. Renovation	90,000	90,000	90,000	90,000	90,000
Law Enforcement Center	<u>-</u>	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>
	1,595,000	2,135,000	2,135,000	2,135,000	2,135,000

Surplus / (Deficit)	3,599,935	4,318,676	4,776,089	5,062,081	5,682,738
----------------------------	------------------	------------------	------------------	------------------	------------------

Notes on School Renovations Budget

Budgeted for 2009	2,255,339	This figure is used as the base for the renovation budget
Preliminary Amount 2010	50,000	Assumes all but \$450K to be included in renovation package
Projected 2011	1,500,000	Reduced due to renovations being caught up
Projected 2012	2,000,000	Incremental increase of \$500K over prior year
Projected 2013-2015	2,500,000	Incremental increase of \$500K over prior year

Benefits

Takes advantage of opportunities of unusual environment of low interest rates and lower construction cost
Creates jobs and local economic stimulus due to numerous smaller projects
Cleans up back log of carryover repairs and capital improvement projects for the school

Financing instead of paying for projects from reserves will preserve cash to offset risk of uncertain economy
If reserves build as shown less borrowing on future projects, including the law enforcement center
Takes care of needed capital projects that have been planned for a number of years
Additional spaces will remain available for other uses or to be sold (Old Chamber, Nuckols Building)

Commissioner Williams referred to the above spreadsheet.

Commissioner Young felt that this was a good proposal but felt that if we were going to borrow any capital project money for maintenance services that we need to look at long-term maintenance projects such as the chiller for Upward Elementary or a roof repair. The smaller projects should be done without borrowing money. Commissioner Young stated that the Sheriff's Law Enforcement Center should be on target with Apple Valley/North Henderson High School as the window may close if the economy turns around on financing and construction costs.

Chairman Moyer felt that the Board was looking at an unrealistic number. He questioned the \$11 million dollar cost of a 60,000 square foot building versus a 40,000 square foot building at \$6 million. The cost per square foot figures are way out of line.

Mr. Jim Wilhide, of Moseley Architects, explained that the proposals were for different building types and different cost per square foot for those building types. When you get into the securities and the detention facilities the cost is much higher than standard construction. Mr. Wilhide reminded the Board that he worked with schools and these proposals were from Dan and not his expertise.

Commissioner Messer felt that \$6 million for a Law Enforcement Center was high. He wanted to make sure it was built with enough space for growth.

Chairman Moyer feels that the public will perceive that the County has money and must spend it. The issue should be whether the project, in this environment, is essential to do. From the citizen's standpoint, he feels if there is extra money they would rather see the Commissioners' reduce taxes next year than spend it. He was not in support of spending money on projects such as the Law Enforcement Center at this time as he does not believe it is essential.

Commissioner McGrady has viewed the consolidation of the Sheriff's Department as a significant priority since he came in as a Commissioner 4 ½ years ago and still believes it should be high on the list. Several of the buildings are clearly inadequate and are spread all over the place. Now is the time to do this as we have an opportunity with lower construction costs and financing rates. He would like to see the Commissioners put money in to get the architectural work done in this coming fiscal year with the idea that we would be ready to go (bid it and begin building) at least very early in the next fiscal year.

Commissioner Young suggested building the North Henderson High School / Apple Valley addition (\$8 million) and the Law Enforcement Center, (\$6 million) and that we borrow \$3 million in addition for long-term maintenance projects and finance these projects as outlined by Commissioners Williams. This would not deplete our capital fund balance.

Chairman Moyer emphasized that once we have committed this year it doesn't matter what happens to the economy two years down the road, the decision has been made, debt issued, and we are obligated.

Commissioner Young restated that this would not deplete the capital fund and at that time if we had to use the capital fund balance we could sell the Nuckols buildings, do away with some leases, etc. to create a fund balance.

Commissioner Messer would not vote to have a 40,000 square foot Law Enforcement Center for \$6 million without getting a second opinion or having a Commissioners' meeting with architects to bring us real facts.

Sheriff Rick Davis stated that 40,000 square feet is exactly what the original discussions were. This included the evidence storage and consolidation of offices not including the 911 center. Sheriff Davis felt that building the Enforcement Center was the right thing to do as it was impairing their operation. It would ease confusion from various locations for citizens, and productivity would increase.

Chairman Moyer made the motion that the Board advances with the Apple Valley / North Henderson projects and be ready to go with bids in about 6 months with the bidding process lasting for 1 month, continue through the local government process and ready to begin construction between December and January. Debt serving would kick in sometime between spring or last quarter of 2010 and a full year in 2011. All voted in favor and the motion carried.

Discussion followed in regards to the length of the debt.

Commissioner Young made the motion that the Board approves financing long-term capital (projects which last longer than the length of the financing) maintenance projects, not to exceed \$3 million. Commissioner Moyer restated the motion that the Board approves financing of capital projects for which the life of the project will exceed the length of the debt (15 years). The vote passed 4-1 with Chairman Moyer voting nay.

Discussion followed in regards to the Law Enforcement Center.

Chairman Moyer was not ready to take action on the Law Enforcement Center.

Commissioner Messer was not ready to take action on the Law Enforcement Center.

Commissioner McGrady was in favor of directing the County Manager to include in the budget provisions for planning dollars for the Law Enforcement Center so that we would be ready in 2011 to make a decision for the next budget process.

Commissioner Williams was in favor of committing to going forward and letting it be known that this is a project we are planning to do. We will have to determine the final figures and it may have to be pushed to the next year.

Chairman Moyer did not wish to send a message to the public right now that we are planning in the next year to build a new Law Enforcement Center in light of the current economic conditions.

Commissioner Williams made it clear that his entire scenario has nothing to do with raising taxes. He is trying to formulate a plan that avoids raising taxes and does not set the Board up so that they are in a position that they have to raise taxes. His efforts were made with financing in a very favorable climate to preserve cash.

Commissioner Young was concerned that the window of opportunity would be lost if the Enforcement Center was put off.

Commissioner McGrady made the motion that the Board directs the County Manager to include in his budget money sufficient to plan for a Sheriff Department building in the next fiscal year anticipating that we might fund such a construction project in fiscal year 2011. The motion passed 3-2 with Chairman Moyer and Commissioner Messer voting nay.

Chairman Moyer assumed that the same concept in a previous motion of packaging renovations for schools as long-term capital would also be utilized for Blue Ridge Community College renovations.

Commissioner Young made the motion that the Board borrows the long-term capital maintenance projects for Blue Ridge Community College in an amount not to exceed \$2 million using the same concept as public schools for smaller projects not major projects. The motion passed 4-1 with Chairman Moyer voting nay.

Commissioner McGrady raised the concern of the Fletcher library issue. The Town of Fletcher has notified us that they are ready to move forward with the project. He requested that Commissioner Young and the Library Board bring this information back to the Board of Commissioners.

The County Manager was asked to research the parking issue at the Human Services building and bring back a recommendation.

Adjourn

Commissioner McGrady made the motion that the Board adjourn at 5:15 pm.

Attest:

Teresa L. Wilson, Deputy Clerk to the Board

William L. Moyer, Chairman