

DRAFT Minutes
Transylvania County Board of Education &
Transylvania County Board of Commissioners
December 28, 2009

INVOCATION/PLEDGE OF ALLEGIANCE

WELCOME/CALL TO ORDER

INTRODUCTIONS OF BOARDS & STAFFS

BUSINESS ITEMS

1. PowerPoint Presentation
2. Review of Financing Agreement with BB&T on Construction of a CTE Building at RHS and Options on Cost Allocation
3. Discussion/Decision on Financing Agreement and Cost Split Between Board of Education and County
4. Public Comment
5. Closing Remarks

ADJOURNMENT

The Transylvania County Board of Education and the Transylvania County Board of Commissioners met in joint session at 7:00 p.m. on December 28, 2009 in the Rogow Room at the Transylvania County Library. The purpose of the meeting was to discuss the financing agreement for the Career/Technical Education building at Rosman High School. In addition to media representatives and approximately 50 guests, the following board members, county commissioners, and staff were present:

Board of Education

Chris Whitmire, Chair
Tawny McCoy, Vice Chair
Sue Fox
Shelia Norman
Cindy Petit
Dr. Jeff McDaris, Superintendent
Norris Barger, Director, Business Services
Jenny Hunter, Adm. Assistant

Board of Commissioners

Jason Chappell, Chair
Kelvin Phillips, Vice Chair
Lynn Bullock
Mike Hawkins
Daryle Hogsed
Artie Wilson, County Manager
Gay Poor, Finance Officer
Trisha Hogan, Clerk to the Board
David Neumann, County Attorney

Chairman Whitmire gave the invocation and Chairman Chappell led the Pledge of Allegiance. Chairman Chappell welcomed everyone to the meeting and called the Board of Commissioners to order. Chairman Whitmire called the Board of Education to order. Dr. Jeff McDaris introduced the Board of Education members and staff. Mr. Chappell introduced the Board of Commissioners and staff.

PowerPoint

Dr. Jeff McDaris presented a PowerPoint presentation on the history of the CTE program and its contribution to the economic development of the county, the condition of the current CTE facility at RHS, and the importance of ongoing investment in CTE education as a part of the county's infrastructure. He pointed out that the main CTE building at RHS was built in the 1950's to house a one-teacher, comprehensive agriculture education program. It currently houses four instructors and serves five programs, including middle school. Four programs share one shop area. One additional classroom was added in 1998-99 and is shared by two instructors. Virtually 100% of Rosman students use the CTE area yearly. Dr. McDaris emphasized that a new CTE building is not just an "education" issue, but a county economic development issue.

Review of Financing Agreement

County Manager Artie Wilson gave an update and review of financing for the Qualified School Construction Bond. The County found there was little to no interest in pursuing the zero-percent QSCB. Out of nine local banks, only one, BB&T, was interested. BB&T has proposed an interest rate of 2.09% for a 12-year period. In addition, BB&T would charge \$23,700 in transaction fees. At the joint meeting in July, the CTE project was approved under the assumption of zero interest and an even 50/50 split of the debt cost between the boards, with the school board's portion coming from a reduction in capital allocation over the next 12 years. Now that there is more interest attached to the project, the Boards need to agree on how to handle the extra cost. Mr. Wilson reported that the bank needs an answer this week. Three scenarios were presented at the commissioners' public hearing on December 14, 2009:

Scenario 1 - The County pays 50% of the principal assuming zero interest and the school board pays the remainder of the cost including the interest. The County's portion would be \$54,074.10 per year; the school board's portion would be \$81,457.22 the first year; then decrease after that as the interest on the outstanding balance decreases each year. The total interest paid by the school system would be \$177,988.49 over the 12-year period.

Scenario 2 - The County and the school system split the cost 50/50. County and school board portions would be \$67,655.56 each for the first year and then the amount goes down. This would average to \$61,490.27 each per year. The county's and school system's shares of interest over the 12 years would be \$88,994.25 or \$7,416.19 per year on average.

Scenario 3 - Delay the project until more information and sources of funding are available.

In addition to the increase in interest, the commissioners also had concerns about an increase in the project's square footage. Dr. McDaris reported that the preliminary space requirements had increased based on discussions with staff regarding program needs. The original estimate was based on the amount the school system could qualify for under the terms of the QSCB.

Discussion/Decision

Chairman Whitmire stated that he sees the discussion as being about not just one building, but where education falls within the county's priorities. He made the following observations: The CTE program serves not only high school, but middle school students as well. Under the economic recession, not as many families may be sending children to college. CTE programs can provide students with the skills necessary to get jobs in this county. The second home market is very important to Transylvania County. Construction of the CTE building would be a golden opportunity in this time of economic hardship to pump dollars back into the local economy through local builders. Putting the project off to some future date would mean higher interest rates and less competitive bidding. The school board has no way to raise its own revenue. Lottery funds are unreliable and fairly small. Transylvania does not qualify for low wealth funds or small school funds due to the county's high wealth tax base. Last year, the school system cut its capital budget in order to save teacher jobs. Transylvania's student achievement levels are envied by many systems across the state; however, it takes money to maintain programs and buildings. Without it the district could sink into mediocrity. The Board of Education has been a good steward of funds year in and year out. Mr. Whitmire believes there is not a project more fitting for the QSCB, and the county and school system must take advantage of this funding opportunity while it can. He concluded by stating that the Board of Education is at the Board of Commissioners' mercy.

Mr. Hawkins stated that he understood Mr. Whitmire's frustrations about funding, but would disagree that the school board is at the commissioners' mercy. Instead he sees the school board and the commissioners as working together for the children of the county. He expressed concerns that the scope of the CTE project has grown in terms of dollars and size, from the 10,500 square feet that was presented in July to approximately 15,000 square feet. Mr. Barger reported that the increase had resulted from discussions with staff regarding program space requirements. Mr. Hawkins stated that he did not question the need for the building, but would like everyone to consider how this project fits into the strategic plan for the next 25 years in terms of slow growth and declining enrollment.

Dr. McDaris explained that CTE programs address economic needs in many ways. He pointed out that agriculture education is not just about farming; the U.S. controls the food supply for the world. Herbal markets are expanding, and Transylvania County is a working lab in terms of environmental and natural resources. Health occupations is another growth industry in this area. There is a shortage of registered nurses nationwide, and an increasing need for trained health workers to meet the needs of the county's large retirement population. Third is trade and industry. Construction of affordable housing, green construction, welding and metal fabrication are all seen as fields of opportunity.

Mr. Hawkins questioned whether putting a new building on the Rosman campus would be the best approach to serving the needs of all students in the county. He asked if other options had been considered. Dr. McDaris reported that school districts are bound by facilities management guidelines from Raleigh. In Health Occupations courses, for example, a teacher may supervise no more than ten Level II students at a time. We sometimes have to turn students away. The same situation exists in other courses such as welding, drafting and agriculture education. He explained that the reality of centering a new facility between Rosman and Brevard would involve not only the cost of land but the same numbers of teachers, classrooms, etc. Neither campus is large enough to absorb the other's program under state-mandated program requirements. In addition, having two campuses provides increased leadership opportunities by providing two student councils, two sports programs, two valedictorians, etc. Dr. McDaris believes the new CTE building at Rosman cannot be viewed strictly in terms of dollars and cents. He sees the project as a sound investment for students and for the county's development.

Mr. Whitmire reported that the board and administration have looked extensively at inter-high school scheduling, and have gone to great lengths to ensure that students have access to the courses they need within efficiencies of operation. He stated that it would be inappropriate to look at consolidation because it would not be economically feasible—consider the cost of land alone. He reported that on a recent visit to RHS, he counted 39 CTE students together in one classroom, with power tools running, under close supervision. In terms of space, he pointed out that it would be more economical to get the extra square footage now than after the building is built. He asked everyone to remember how long the two boards have been discussing replacing the Education Center, with no progress to date. He urged the commissioners not to let the same thing happen to the CTE building—talking about the need year after year with nothing being done. He stated that the boards have an unforeseen opportunity in front of them to replace a 56-year old building that has far outlived its purpose. He urged the commissioners to allow the building to not only be built, but to be built to the same high standards as other new county construction, and to do it because it is the right thing to do.

Mr. Hawkins clarified that he was not suggesting school consolidation, but merely asking if the Board had looked at all alternatives. Dr. McDaris reported that he has considered many scenarios for transporting students between the two schools and that all options would be cost prohibitive.

Chairman Chappell asked which vocational programs might or might not be included in the new building. Dr. McDaris stated that no decision has been made, but if they had to choose, they would look at which programs best complement the others.

Mr. Chappell asked about a new roof for the current building. Dr. McDaris reported that a new roof for the old building was not budgeted in anticipation of the new CTE building being built. He stated that it did not make sense to put a new roof on a building that might be torn down.

Mr. Chappell clarified that the intent of the commissioners' motion at the public hearing was to allow the Board of Education to have an opportunity to discuss the changed project, not to back out of the project. Mr. Hogsed asked whether school board members had any questions for the commissioners regarding that meeting or a recent news article from the last school board meeting.

Vice Chairman McCoy stated that the comments that were reported in the newspaper were only portions of what was said, and that more positive comments were made than were reported. She added that some of the comments which were not reported included how much the board members respect the commissioners as individuals and for the fine job they do for the county.

Mr. Hogsed expressed concern over comments that seemed to question the county's commitment to education. He noted that 30% of the county's overall budget goes toward education. He feels there is a good working relationship between the boards and would like to see that continue.

Mr. Whitmire stated that the school board's vetting process for its five-year capital outlay plan has improved and continues to improve. He stated that board members work hard to stay informed about every pothole and leak. Therefore, he feels that the ire which was reflected in the news article was legitimate. His impression from public hearing was that the county had been generous enough and that the school board simply needed to sharpen its pencils a little more. Mr. Whitmire remarked that over the years more and more of the school system's needs have been pushed forward to be addressed in future years. At some point, those needs have to be addressed. He stated that the average citizen who does not attend or follow meetings may think that the school system can simply 1) pony up its own money for repairs and construction, or 2) promise away more money. The first option is not possible, and the second option is not one that Mr. Whitmire likes. He hopes to dispel the perception that the school system has some kind of "magical" revenue-generating capability of its own.

Mr. Chappell disagreed with the idea that the general public thinks the school board can create its own funding, and thinks that citizens are well aware of how the county budget system of checks and balances work. He stated that he has been and still would be dead-set against school boards having taxing authority. He feels that this has the potential of hurting the educational system. He stated that the CTE issue should not be an "us versus them" situation. The commissioners know that education, workforce development, and economic development are all tied together. He stated that he understands the school board's frustration with lack of low wealth and small school funding, which policies are set by the General Assembly. He pointed out that the Board of Commissioners has and would again support legislation to make those policies favorable for Transylvania County Schools. Regarding other county construction projects, he pointed out that the recently completed public safety facility was paid for with private donations and grant monies in addition to county funds. He reiterated that the county's priority is and always has been education.

Mr. Hogsd further clarified that the public safety building was built using funds that previous county commissions had been setting aside for years. He remarked that it was not fair to paint the commissioners as the bad guys. He added that he still supports the CTE project and feels that the school board is fortunate to have the project being considered in light of the current economic climate. He asked for clarification regarding a comment that cost sharing is not truly cost sharing but is actually reducing the school system's funding. Dr. McDaris stated that they may have to agree to disagree on this. He stated that in his view, when the school system agrees to a compromise that gives up future funding for capital projects, that is a reduction in allocation.

Mr. Whitmire asked about the possibility of borrowing money from the county's undesignated fund balance. Mr. Wilson reported that the county had to use approximately \$700,000 from fund balance in order to meet operational costs last year. Next year is shaping up to be even worse. Mr. Hawkins stated that Mr. Whitmire's question was a fair one. He believes that the commissioners need to do a better job of planning and setting limits for undesignated fund balance. He also feels that that the school board should be a part of that decision. If the county's fund balance is maintained at a higher level that that recommended by the state, then there should be a collaborative discussion regarding the surplus funds. This would have to be discussion for another time, however.

Mr. Hawkins stated that emotions have been running high on both sides of the CTE discussion, and attributed this to the time pressures of the QSCB deadlines and the banking deadline. He remarked that pressure can raise exponentially the chance of making a poor decision due to having less time to process information. He listed four considerations to possibly postponing the CTE project another year: 1) students and teachers would have to put up with the old building one more year; 2) risk that interest rates will go up next year; 3) risk that construction costs will increase; and 4) availability of QSCB funds next year. He stated that he believes the QSCB will be available for one more year and that banks may be willing to give a zero percent interest rate in the future. He therefore recommended making the CTE project an objective for FY11. He pointed out that doing so would give more time to refine the project parameters and also give the two boards more time to collaborate on how to pay for it. Fund balance could also be a part of that discussion.

Mrs. McCoy asked since the boards had agreed in July to share the costs, was not the question under discussion simply the additional interest? She pointed out there are always "ifs" associated with any project and that nothing can ever be 100 percent certain. Mr. Hawkins stated that the scope of the project had increased and the boards need to determine how to deal with that. Mr. Whitmire stated that the conversation should move away from size of the building and toward the funding. He agreed that the boards have had to act quickly; however, in his view the key to doing anything is flexibility. Neither board can predict interest rates or construction costs, although it seems safe to assume that the competitive bidding market will not get any better that it is right now. He feels there is no guarantee that the QSCB funds would be available next year. If the county passes up this opportunity, it may never come again. He emphasized that the bottom line is simply this--the CTE building is needed.

Mr. Bullock agreed that the CTE programs are important and worthwhile for this county and that he understands that the new building is very much needed. He noted that the while the school system has lost ADM funding and lottery funding, the county has lost sales tax money and money for mental health and other health services. Looking at the big picture, the county has many needs and its citizens are struggling financially. On the other hand, not taking advantage of an opportunity simply because there are no guarantees can be unwise.

Dr. McDaris asked about the BB&T deadline of December 31, 2009. Mr. Wilson explained that that the bank would guarantee an interest rate of 2.09% through the end of the fiscal year but not beyond.

Mr. Phillips remarked that Transylvania County ranks second out of eleven surrounding counties in capital outlay funding, which proves the commissioners' commitment to doing their best for schools. He stated that critical needs are being cut in every county department. He asked should the extra square footage becomes unrealistic, would the school board reduce the size and cut back on programs or use its own fund balance to make up the difference? Dr. McDaris responded that if the project were cut to 11,000 square feet, it would probably make more sense to leave Health Occupations in the old building, fix the roof, and do some in-house renovations. If the building comes in at 15,000 square feet, fund balance or lottery money might be possible funding sources.

Mr. Whitmire stated that he would hate to see the schools settle for leftovers in a county that produces high quality public facilities. He observed that educators represent a very large voting bloc, and that he would like to have the opportunity to follow through with the project and see what kinds of bids come in. He reiterated that the school board has a proven track record of good stewardship; lottery funds are not a sure thing; and the TCS fund balance is relatively small. He requested that the boards make every effort to reach a decision tonight.

Mr. Chappell stated that the motion from the first meeting had been for the county commissioners and the school board to split 50/50 the total cost of the CTE project including interest (Scenario 2), and indicated that he would be supportive of another such motion at this time. A MOTION TO APPROVE FUNDING SCENARIO 2 FOR THE CTE BUILDING AT ROSMAN MIDDLE/HIGH SCHOOLS WAS MADE BY MR. HOGSED AND SECONDED BY MR. CHAPPELL.

Mr. Chappell stated that he has concerns about the availability of QSCB funds next year; the current construction climate is good; and he trusts that the school board would bring the project in as low as possible. Mr. Hawkins stated that he feels it would be unwise to push ahead with a project for which there so many unknowns. He reiterated that the boards have not discussed how they would address potential cost overruns. Mr. Phillips expressed concerns about the fluidity of the project. He stated that although he supports the project in concept, but would like to be able to sign off on something more concrete. Mr. Hogsed stated that he sees the CTE project as something that the school board wants to pursue, which the county can provide the means to fund, and that any other decisions should be the responsibility of the school board, much like its annual capital outlay budget. Mr. Hawkins stated that anything beyond \$1.2 million would be the county's responsibility. He reiterated his view that it is unwise to move forward until they have concrete numbers for size/cost and also a plan to address any overages.

Chairman Chappell called the vote, and the motion passed 3:2 (FOR: Chappell, Bullock, Hogsed; AGAINST: Hawkins, Phillips).

Mrs. McCoy thanked the commissioners for their vote. She stated that she would trust in the experts to guide the school board in providing the best building possible to meet the educational needs of students. She added that the disagreements which had been expressed were not personal, but merely related to the broader scope of responsibility for funding decisions that impact the school system and the entire county. MRS. MCCOY MADE A MOTION, SECONDED BY MRS. NORMAN, for the Board of Education to fund half of the principle and half of the interest for the CTE project in accordance with the motion made and passed by the Board of Commissioners.

Mr. Wilson clarified that the administrative costs are included in the \$1.297 million figure and that tonight's decision is basically the same as that agreed to in July with the addition of the additional interest amount.

Mrs. Petit stated that she completely supports the CTE project. She feels that jobs are needed in this county and that preparing students to fill those jobs will pay back the county's investment in the CTE building immeasurably.

Mrs. Norman thanked the commissioners for their decision. She stated that her heart had been broken by the poor condition of the current building, and that tonight's decision would enable them to help educate children to 21st century standards.

Mrs. Fox stated that as former educator, she applauded and appreciated the commissioners' decision to support the CTE project. She added that her comments as reported in the newspaper were never intended to convey any disrespect, saying that she sees herself as a peacemaker and one who dislikes confrontation. She feels that the new building will be greatly appreciated by students and staff for years to come and will pay the county back in many ways.

Mr. Whitmire expressed his thanks to the commissioners for their support. He predicted that in the current bidding climate, they would realize great value from every penny spent. He stated that he looks forward to getting started and making the project happen.

Mr. Whitmire called the vote, and the motion passed unanimously.

Public Comment

Jackie Hovey, substitute teacher, thanked the board members for their time on this matter and commented that the children of this county deserve the brighter future that the project will provide for years to come.

Tammy Moman, Health Occupations teacher at RHS, reported that she had taken an informal survey earlier that day and had found 11 job openings for Certified Nursing Assistants (CNA) in this area alone. She stated that she has not been able to teach the CNA course at Rosman High School for at least four years due to a lack of space. She thanked the boards for their support and approval of the CTE project and expressed certainty that the future benefits would far outweigh the costs.

Closing Remarks

Mr. Whitmire thanked everyone for coming out to the meeting during Christmas break. He also invited anyone who has any doubts about the matter to schedule a visit to the Rosman campus to view firsthand the condition of the current facility.

Dr. McDaris thanked the commissioners for the open dialogue and forum for discussion and expressed his appreciation for all the good work they do.]

Mr. Hogsed stated that he is looking forward to seeing the benefits that the new building will provide to students and staff.

Mr. Phillips stated that although they may disagree at times, he knows the CTE building will be in very capable hands and that the staff at Rosman will do a great job with the new facility.

Mr. Hawkins stated that he agreed with Mr. Phillips and that the focus would now be to ensure that the project is done right and meets the educational needs for the foreseeable future. He encouraged both sides to make it a priority to continue working toward better communication between the boards, especially as they head into the upcoming budget season.

There was no further business and, ON A MOTION BY MR. BULLOCK. SECONDED BY MR. HAWKINS, the Board of Commissioners adjourned at 9:27 p.m. ON A MOTION BY MRS. NORMAN, SECONDED BY MRS. PETIT, the Board of Education also adjourned at 9:27 p.m.

Respectfully submitted,

Chairman

Secretary