

*Scotland County Board of Commissioners/Board of Education joint meeting
September 14, 2016, A.B. Gibson Center, 322 South Main Street, Laurinburg, NC*

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Commissioners in attendance: Chair Carol McCall, Vice Chair Whit Gibson and Commissioners John Alford, Bob Davis, Guy McCook and Clarence McPhatter. Commissioners not in attendance: Commissioner Betty Blue Gholston (*excused*). Staff present: County Manager Kevin Patterson, Finance Officer Beth Hobbs and Clerk to the Board Ann Kurtzman.

School Board members present: Chair Jeff Byrd and Mr. Jamie Sutherland, Mr. Charles Brown, Ms. Pat Gates, Dr. Summer Stanley, Mr. Raymond Hyatt and Mr. Wayne Cromartie. School Board members not present: Rev. Darrel Gibson. Staff present: Superintendent Ron Hargrave, CFO Jay Toland, School Attorney Nick Sojka and Ms. Nancy Ivey, Assistant to the Superintendent.

At 6 p.m. Commissioner Alford moved and Vice Chair Gibson seconded that the meeting be reconvened. Commissioner Alford delivered the invocation.

First Tryon financial analysis

First Tryon Advisor David Cheatwood presented the evaluation of the financial feasibility of the school consolidation plan. Task one was to assess the reasonableness of projected cost savings and compare and assess the feasibility of various financing alternatives to fund the construction component. Task one included cost savings through an analysis in six areas — staffing, custodial, utility, supplies, transportation and contracted services. The projected savings of just under \$2.8 million was very close to that of the school's projected savings of just over \$2.8 million. Mr. Cheatwood said the \$2,774,000 savings would be available to service any debt in addition to the \$1.3 million in sales tax and lottery proceeds.

Task two included evaluation of financing alternatives to build a new elementary school in a timely, efficient manner by using available resources. Mr. Cheatwood reviewed and discussed General Obligation Bonds (GOB), Limited Obligation Bonds (LOB), USDA loans and operating a lease structure, also called a Net Zero building.

The earliest GO referendum would be March 2018. Total cost on GO is just over \$58 million over 20 years. A Limited Obligation Bond does not require voter approval, but it has a slightly higher interest rate. Total cost for a LOB would be \$59.5 million over 20 years. The USDA loan is a less common alternative with a 40-year payout. It comes with a lower annual cost in debt service but total cost with more interest in the end is \$89 million. The Public Private Partnership (P3) is relatively new as a financing structure where a developer would construct the building, take care of the financing and enter into an operating lease with the school district equal to the debt service over a period of time. After year five there would be the option to purchase the building. Mr. Cheatwood said the wild card is the potential for new market tax credits. This would be on a taxable basis as opposed to tax exempt. Total cost of a P3 would be \$61.2 million assuming there are no new market tax credits, which would lower the cost.

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Mr. Cheatwood provided the boards with a summary comparison including advantages and disadvantages for each option. Mr. Cheatwood also discussed next steps and additional considerations including how much of the cost savings would be contributed to debt service and what is the desired financing route for the County and the Board of Education.

Discussion/questions on school expansion/new school construction

Mr. Cheatwood said the flexibility to extend 20 years to 25-year financing could be discussed with the LGC as a possibility. First Tryon would run different scenarios to see what the excess revenues would be in a 25-year financing plan.

Chair Byrd said the schools have not yet looked for a site and would not do so without support from the Commissioners. Chair Byrd said the schools want to make sure kids don't have long bus rides. He said block stops instead of stops at each house have already decreased the amount of time kids are on a bus, which is an hour or less.

Vice Chair Gibson asked if the schools understood that the \$2.7 million projected savings would account for two thirds of what would be used to pay off the bonds and that the \$2.7 would be earmarked as dollars to retire the debt. The Board of Education members said that was understood.

Commissioner Alford said modern schools should be built when there is no value in renovating the old schools. Let's not miss the opportunity to give our children modern buildings. Commissioner Alford said let's get it right, join together to support the School Board and get the children out of old schools.

Mr. Cheatwood discussed the position of LGC and the State Treasury on going the route of P3. He said the LGC is skeptical of the P3 because it is new and would be a tougher sell in terms of getting buy-in and approval. Mr. Cheatwood said the traditional forms of financing are more straightforward and not as complicated compared to the more variables and unknowns of a P3. A LOB would be a simpler conversation while a P3 conversation would be more in-depth.

Since local dollars would be used toward the lease payment and not State dollars, a local act would not have to be passed in order to do finance a P3. There is no statutory authority for a capital lease structure. It would have to go the local act route.

Mr. Sutherland said there might be some savings with a 25-year amortization so the schools could benefit from the savings and give the 2.25 percent back to the County until the financing gets beyond the 10-year point.

Chair McCall said it is important to find the best way to afford space for the children while at the same time ensure that everybody gets a little piece of the pie. That is the challenge and the elephant in the room. How do we make these dollars that are so restrictive work for us as soon as possible?

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Mr. Cheatwood said First Tryon would want to know how much savings the schools would want to have so it would not be applied to the debt in order to run a 25-year financial analysis.

Commissioner McCook said he would like answers to the three additional considerations on page 19 in the First Tryon financial analysis. How would we combine the County needs with those of the school needs? Commissioner McCook said the County has to plan for its own capital needs. We must figure out exactly what we're doing and where the money is going.

Commissioner Alford was excused at 8 p.m.

Commissioners Gibson and McCook said they support the consolidation plan as it's been outlined.

Chair McCall recognized Senator Tom McInnis, who was in attendance. Senator McInnis said a private entity will review the construction needs of school facilities especially in areas where the need is greatest and Scotland and Anson counties will be part of the study.

Mr. Sutherland asked the County and School staff to look at construction of a traditional school versus Net Zero in a timely fashion.

Vice Chair Gibson moved and Commissioner McCook seconded that the Commissioners recess to 1 p.m. Thursday, September 22, at SBIC.

Ann W. Kurtzman
Clerk to the Board

Carol McCall
Chair