

PITT COUNTY BOARD OF COMMISSIONERS  
GREENVILLE, NORTH CAROLINA  
JULY 21, 2003 MINUTES

The Pitt County Board of Commissioners met on Monday, July 21, 2003, at 5:00 PM in the Commissioners' Auditorium, Pitt County Office Building, 1717 W. 5th Street, Greenville, North Carolina.

Commissioners present:

Beth Ward, Chairman  
Eugene James, Vice Chairman  
John Minges, Commissioner  
Jimmy Garris, Commissioner  
Mark Owens, Jr., Commissioner  
Glenn Bowen, Commissioner  
Tom Coulson, Commissioner  
David Hammond, Commissioner  
Randy Royal, Commissioner

Staff present:

Scott Elliott, County Manager  
Susan Banks, Clerk to the Board  
JoAnne Burgdorff, County Attorney  
Melonie Bryan, Deputy County Manager/Financial Services  
John Bulow, Deputy County Manager/Human Services  
Phil Dickerson, Deputy County Manager/Public Services

**Call to Order**

**Meeting Notes**

Chairman Ward called the meeting to order.

**Invocation and Pledge**

**Meeting Notes**

The invocation was offered by Commissioner Garris.  
The Pledge of Allegiance was led by Commissioner Minges .

**Approval of Agenda**

**Staff Recommendation**

Motion to approve agenda as presented.

**Motion:**

**Motion to approve agenda as presented.**

**Motion made by Commissioner John Minges.**

**Motion seconded by Vice Chairman Eugene James.**

## **Motion Passed Unanimously.**

### **Items for Discussion**

*Capital Improvement Plan and Determination of "Next Steps" – Scott Elliott and Melonie Bryan*

### **Information Provided with the Agenda**

As directed by the Board at its July 7, 2003 meeting, Staff has additional information which may be helpful in determining the "next steps" to be taken in meeting the County's capital improvement needs.

Information has been presented on several occasions to try and illustrate the needs, the funding mechanisms available and the future impacts of moving forward with capital improvements. We have now reached a point where staff needs direction on what "next steps" to take. We recommend the Board make several decisions as we move forward with completing this process.

(1) Determine funding methodology to use to address capital needs - General Obligation Bonds or Certificates of Participation. As we discussed on June 16, 2003 and July 7, 2003 - the biggest differences between these two types of funding relate to timing of funds availability, opportunity costs in the current low interest rate market and the "what if" potential should a referendum fail.

(2) Determine the project mix / funding strategy. The County has identified "education" as the top funding priority. Attachment #1 illustrates the "full funding" request made by Pitt Community College, the Board of Education in the "immediate needs" piece of its overall Long Range Facilities Plan and Community Schools and Recreation. At the July 7, 2003 meeting - the general consensus appeared to be to fund the \$1.55 million 1st phase development of the Bowen Farm for Pitt Community College, the \$1.05 million 1st phase need to construct the administrative facility for Community Schools and Recreation on the County Home site and some portion of the Board of Education's request to meet a portion of their identified immediate needs with a focus on creating additional classroom space. We provide this background information as a starting point for discussion and have attached again the project list for the Board of Education to layout all of the projects identified in their immediate needs list (Attachment #2).

(3) Adopt the 10-Year Capital Improvement Plan incorporating any modifications necessary due to actions taken in Step #2 as listed above. The CIP included as Attachment #3 shows all projects currently under consideration at their full funding request.

(4) Acknowledgement of the Consequences of CIP Actions - data is presented on Attachment #4 to illustrate the impact of debt in \$10 million increments. Staff has tried to anticipate all questions to show the difference between COPS and GO debt and the "cost" of each.

(5) Attachments #5, #6, and #7 illustrate the different borrowing levels and the tax rate impact of each. These charts mirror the layout used on July 7 using the impact of the compact funding, "uncontrollable" cost increases and the substitution of new revenue for past one-time funding sources on our future budget.

As a final note, remember Staff will be returning with resolutions and other items for Board action as we continue the debt issuance process and work with the Local Government Commission to meet the County's needs. As stated in past presentations, Staff recommends the County continue to work with our current Bond Counsel (Paul Billow) and Underwriter (Kent Lawrence) due to their familiarity with the County, its financial picture and our previous debt issuances and their structure. These relationships allow these gentlemen to use their knowledge to gain the best product for the County as we move forward to structure this new debt issuance. Additionally, both partners can be available at future board meetings as we move through the process to answer questions if needed.

### **Staff Recommendation**

Review and act on each item as listed above:

- (1) Determine funding methodology - Pass motion selecting either GO Bonds or COPS as the method of funding.
- (2) Determine project mix and amount to be funded.
- (3) 10-Year Capital Improvement Plan - Pass motion to adopt proposed 10-year CIP with changes as needed by the actions of Item #2 listed above.
- (4) Acknowledge the consequences of above actions.
- (5) Allow Staff to continue relationships with current bond counsel and underwriter to ensure best quality product for Pitt County.

### **Meeting Notes**

Chairman Ward said the purpose of this meeting was to discuss the capital improvement plan for the next year. Mr. Elliott stated he and Ms. Bryan would be recapping the discussion from the last meeting and would present additional material that was requested by the Board. He said this meeting was scheduled at the July 7th regular meeting. They made a presentation of options. He reviewed the proposed projects:

\$57.70M Schools  
\$4.40M Pitt Community College  
\$3.760M for Community schools and recreation  
**Total \$65.86M**

## CONSEQUENCES OF CIP ACTIONS

### Certificates of Participation

Borrowed Amount:	\$10,000,000
Term:	30 years
Rate:	4.298% (estimated at current market conditions)
Cost of Issuance:	\$150,000
Bond Insurance/U/w Discount:	\$121,063 (amount varies by "size" of borrowing)
Referendum Costs:	\$0
Total Repayment over Life:	\$16,018,015
Annual Debt Service Payment:	\$645,000

### General Obligation Bonds

Borrowed Amount:	\$10,000,000
Term:	30 years
Rate:	4.246% (estimated at current market conditions)
Cost of Issuance:	\$150,000
Bond Insurance/U/w Discount:	\$120,773 (amount varies by "size" of borrowing)
Referendum Costs:	\$10,000 (rough estimate)
Total Repayment over Life:	\$15,935,164
Annual Debt Service Payment:	\$640,000

Cost over Life – GO \$15,935,164

Cost over Life – COPS \$16,018,015

Difference \$ 82,561

Each additional \$5 million costs – in annual debt service – approximately \$320,000.

#### **"Costs" which cannot be quantified but have to be considered:**

\*Value of timing - how much will rates change in next year?

\*Value of timing - how critical are the needs and what is the value of building facilities sooner?

\*Value of timing – decision must be made in July in order to meet a November 2003 referendum date – next available date would be May 2004.

\*Value of “failed referendum” – if it fails and needs are still there – what next?

### Revaluation Rate Information

Revenue Neutral Revaluation would have to generate	\$43,234,443 (\$0.665 in General Fund)
Estimated Value of Revalued 1-cent	\$807,000
Revenue Neutral Rate	53.6 cents (General Fund Portion only)

Mr. Elliott presented a comparison of costs for certificates of participation versus General Obligation Bonds. The interest is slightly less for GO bonds. The referendum cost was estimated for \$15.9 million for GO Bonds or \$5000 less per year than COPS method. The COPS would cost \$82,000 annually for \$10 million in COPS. He said the Board needs to consider the time factor and revaluation rate information. He reviewed the proposed revenue neutral tax rate and stated that this is just a projection. They presented a fully funded borrowing scenario table for the Education Compact as well as a modified funding table. He stated that Pitt County is in the top 25% for local funding of education. He presented the modified funding on a per pupil basis of \$1,254. Mr. Elliott stated that the cost of financing the debt is negotiable between COPS and GO Bonds and that this does not address all the capital needs in the County. They provided different funding scenarios. Chairman Ward thanked Mr. Elliott and Ms. Bryan for providing this information.

Commissioner Bowen said that the County being in the top 25% per student local funding in the State was for last year's figures. Since then, the County has given them another \$1.8 million. Mr. Elliott agreed with this statement. He said the figure does not include the \$1.8 million that has been appropriated in this year's budget. He said they believed if the education compact was funded 100%, Pitt County would be moving towards the 20% range based upon this year's appropriations.

Commissioner Coulson questioned the revenue neutral figure of 53.60, stating that when in reality it should include the substitute revenue. The citizens need to recognize that the County has been borrowing from these investment funds. He said the revenue neutral figure is really 62.25 cents with all things considered. Commissioner Hammond asked why the bonds are so expensive. Ms. Bryan explained the gamut of closing costs for borrowing funds. She stated that with GO bonds, the taxing authority is pledged. Commissioner Hammond asked what the 35% would be with the two cent combined. Mr. Elliott said if you have \$100,000 piece of property, you would have an estimated increase of 35% in your property taxes. The total budget is \$181 million with only \$43 million from ad valorem taxes.

The revaluation is on the real property side. Commissioner Hammond asked how it would balance out with the two cents tax increase. Mr. Elliott said it would be an

increase of 35% plus the 2 cent tax increase. Mr. Elliott said the 2 cents is already included in the figures being proposed. Chairman Ward said only \$43 million comes from ad valorem taxes. She emphasized that there has been a \$7 million hole in the budget that has to be filled in with tax dollars.

Vice Chairman James said the Board needs to forget the two cents increase because this is already accounted for and that this Board needs to decide what they are going to do and what the priorities are for capital projects.

Commissioner Owens said if the Finance Director and the County Manager have completed their explanation, he wanted to offer the motion that the Board go with the first task, which is to determine the financing methodology, and moved that certificates of participation are used for the financing of capital projects.

**Motion:**

**Motion to use COPS for funding the capital improvement projects.**

**Motion made by Commissioner Mark Owens, Jr.**

**Motion seconded by Commissioner Randy Royal.**

Commissioner Bowen asked if the revenue neutral rate was going to be the 53.6 figure or the 58 figure. Mr. Elliott said the current tax rate is 70 cents that raises the \$43 million dollars in revenue. He explained the true internal revenue neutral tax rate. Vice Chairman James said he would support this depending on the amount to be financed. Commissioner Garris said once this motion is approved then the amount can be voted on. He said the timing is why he is in support of COPS. A bond referendum is to late. Commissioner Hammond said he wants it done tonight, he does not want to come back and do anything later.

**Motion:**

**Motion to look at funding capital improvement project with both Certificates of Participation and General Obligation Bonds.**

**Motion made by Commissioner Bowen**

**Motion seconded by Commissioner Coulson.**

**Commissioner Bowen then withdrew that motion and Commissioner Coulson agreed.**

**Motion:**

**Table further discussion on funding until the people have had an opportunity to speak at the 6pm meeting.**

**Motion made by Commissioner Glenn Bowen.**

**Motion seconded by Commissioner David Hammond.**

Commissioner Garris said he needed to know the amount that would be funded before voting on this because that may sway his vote. Commissioner Minges agreed with Commissioner Garris. Commissioner Garris asked if Commissioner Coulson was referring to just this year. Commissioner Coulson said it depends on the amount they decide on. If they are locked into one or the other, it is a mistake. Vice Chairman James said the board does not know what the county will have from revaluation. Ms. Bryan stated that the changes or notices should go out in November or within the next four to five months. Commissioner Bowen

said he supports the citizens voting on GO bonds. Commissioner Garris stated he had no problem with a bond referendum but the timing is too tight for this year. Commissioner Coulson said that if the public voted to support the \$65 million requested, it would have to be done in one swoop. He stated that in the long term, if a portion is COPS, low interest rates could be locked in and next year it could be COPS or GO bonds. Commissioner Hammond stated he would support this as long as the citizens would support it. He asked why the Board would circumvent the citizens having a say in this decision.

**Vote Record:**

John Minges	No
Jimmy Garris	Yes
Mark Owens, Jr.	No
Beth Ward	No
Glenn Bowen	Yes
Tom Coulson	Yes
David Hammond	Yes
Eugene James	
Randy Royal	No

**Total Yes Votes: 4**

**Total No Votes: 4**

**One commissioner did not vote.**

**Motion Failed.**

**Chairman Ward called for a revote on the motion to table discussion.**

**Vote Record:**

John Minges	No
Jimmy Garris	No
Mark Owens, Jr.	No
Beth Ward	No
Glenn Bowen	Yes
Tom Coulson	Yes
David Hammond	Yes
Eugene James	Yes
Randy Royal	No

**Total Yes Votes: 4**

**Total No Votes: 5**

**Motion Failed.**

**Chairman Ward then called for a vote on the original motion to fund this issue using Certificates of Participation (COPS).**

**Vote Record:**

John Minges	Yes
Jimmy Garris	Yes
Mark Owens, Jr.	Yes

<b>Beth Ward</b>	<b>Yes</b>
<b>Glenn Bowen</b>	<b>No</b>
<b>Tom Coulson</b>	<b>No</b>
<b>David Hammond</b>	<b>No</b>
<b>Eugene James</b>	<b>Yes</b>
<b>Randy Royal</b>	<b>Yes</b>

**Total Yes Votes: 6**

**Total No Votes: 3**

**Motion Passed.**

**Adjourn**

**Motion:**

**Motion to adjourn meeting at 5:45pm.**

**Motion made by Commissioner David Hammond.**

**Motion seconded by Commissioner Randy Royal.**

**The Board discussed the motion stating that there had been discussion about making the capital improvement plan decision during the regular meeting.**

**Motion to Adjourn Passed Unanimously.**

Respectfully Submitted,

Susan J. Banks, CMC  
Clerk to the Board