

**MINUTES
FOR THE JOINT MEETING
BETWEEN THE
IREDELL COUNTY BOARD OF COMMISSIONERS
&
THE
IREDELL-STATESVILLE BOARD OF EDUCATION**

DATE: Tuesday, March 16, 2004
TIME: 4:00 P.M.
LOCATION: Iredell County Government Center (Commissioners' Meeting Room)
200 South Center Street
Statesville, NC 28677

IREDELL COUNTY COMMISSIONERS ATTENDING WERE:

Chairman Stephen D. Johnson
Vice Chairman Godfrey Williams
Doug Madison
Marvin Norman
Sara Haire Tice

COUNTY STAFF ATTENDING: County Manager Joel Mashburn, County Attorney Bill Pope, Finance Director Susan Blumenstein, and Clerk to the Board Jean Moore.

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IREDELL-STATESVILLE BOARD OF EDUCATION MEMBERS ATTENDING WERE:

Chairman Dr. David Cash (District 2)
Vice Chairman Tara Cashion (District 7)
Jim Head (District 5)
David Parker (District 3)
Dr. Mary Bruce Serene (District 6)
Keith Williams (District 4)
Dr. Ken Wilson (District 1)

SCHOOL STAFF ATTENDING: Dr. Terry Holliday (Superintendent), Dr. Steve Lane (Deputy Superintendent), Dr. Kenny Miller (Maintenance Services Director), Terry Haas (Finance Director), Catharine Davidson (Public Information Director), and others.

CALL TO ORDER: Chairman Johnson and Chairman Cash called their respective boards to order.

INVOCATION by Chairman Johnson.

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Dr. Cash said he hoped the two groups could work together with a common goal in mind. He said the \$124 million proposal had been evaluated and researched by financial, construction, and education specialists. Cash said the school board wanted to use the proposal as a starting point in correcting facility inequities. Dr. Cash said he recognized county voters had a history of defeating school bonds, and that other than the 1997 bond, none had been successful since 1947. Dr. Cash said new and improved schools would attract industry.

Dr. Holliday said school facility decisions needed to be made and that funding, growth, equity, and timing were crucial factors in the decision-making. He said there were many advantages in undertaking all of the system's needs at the same time rather than continuing with the current method of issuing a Certificates of Participation (COPs) every three years. Dr. Holliday said the \$124 million plan would save the county \$10 million, when compared to the current funding method, and it would take care of the needs within a four-year period. He said the plan was based upon five percent growth and that for year one, and year two, there was a structured debt payment. Dr. Holliday noted the method was different since it was on a cash flow basis versus a balanced principal basis. He said that annual capital outlay expenditures would be reduced. Holliday said the current interest rates were at a 40-year low, and many governments were constructing facilities (Charlotte Arena, Raleigh Convention Center, Pitt

County & Pasquotank County Schools), and they were using the cash flow method. He then summarized a 26-page handout, some of which is as follows:

- Growth predictions indicate there will be 25,000 students by 2013-14
- Current costs for modular units is \$400,000 a year
- A modular or mega unit was placed at North High eight years ago. At that time, it could have been purchased for \$200,000.00, instead, it was leased and to date, rental payments have been \$330,000. In addition, when the unit is removed, the owner will charge \$18,000.
- West High School has so many mobile units, it is known as “mobile home village”
- Monticello Cafeteria has asbestos tile (A replacement school using the Third Creek Elementary prototype is recommended.)
- Hallways at Statesville High School are not large enough. The system has to purchase expensive insurance due to the fire marshal stating the hallways are not adequate for a student body of 1400.

Dr. Holliday also presented a handout that illustrated the difference between maintenance costs for an older building versus a new structure. Some points listed in the handout are as follows:

- Monticello Elementary comprises 11 acres and approximately 42,400 sq. ft. compared to Lakeshore Elementary at 30 acres (total site is 60 acres) and 99,000 sq. ft.
- Statesville Middle comprises 14 acres and approximately 68,000 sq. ft. of space (includes mobile units) compared to Lakeshore Middle at 30 acres (total site of 60 acres) and approximately 110,000 sq. ft.
- Statesville High comprises 26 acres and approximately 133,000 sq. ft. of space (includes mobiles) compared to Lake Norman High at 60 acres and approximately 210,000 sq. ft.

Dr. Cash said the school board and staff, along with the facilities task force, had tried to prioritize the needs. Cash requested that politics be set aside and for everyone to look at the interests of the students.

Dr. Wilson said that on the positive side for the system, there were many volunteers working to improve the schools, and there were “super” teachers. He asked for the commissioners to look towards the future.

Parker said that since 1990, the school system had spent 51% of its total funding of \$138.75 million (major construction projects) in the Lake Norman region. He said the students who were in need of improved facilities were the 50% that didn't fall into any specific funding bracket. Parker said ten percent of the students were receiving extra funding through the Academically Gifted Programs, the Honors Programs, or the Advanced Placement Programs. He said the remaining 40% received extra funding from state and federal programs such as the “No Child Left Behind,” or the “More at Four” initiatives. Parker said it was the students in the middle, or the 50%, who would eventually fill the local jobs and purchase homes. He said it was everyone's responsibility to have jobs ready for these students. Mr. Parker said the schools could continue to be assisted in a piecemeal fashion, or the commissioners could accept the opportunity and do something great. He said the Iredell-Statesville System could be one of the top ten units in the state. Parker said some of the schools did not have curb appeal, and this deterred people from moving near them. He said economic development occurred when there were appealing schools.

Chairman Johnson acknowledged that most of the discretionary money had been spent in the southern end. He said, however, that according to statistics from the U.S. Census, the Davidson Township had increased in population by 115% from 1990 to 2000. Johnson said that in addition, Coddle Creek had increased by 42%. He said it was projected that between 2000-2020, Davidson would increase in population by 135%, Coddle Creek by 83%, Fallstown by

109%, Barringer by 52%, and that the Cool Springs Township would grow by 62%. Johnson said in earlier years, not enough money was spent on educational facilities. He said it was bad to have a crowded classroom, but it was even worse not to have a classroom at all. Mr. Johnson said that according to *Area Development Magazine*, the number one priority that industry looked at when reviewing an area for a new facility was that it had to have a low crime rate. He said the next priority was good health care facilities, followed by housing availability, and then, schools along with reasonable housing costs. Johnson said Lake Norman, and the area's close proximity to Charlotte, were the predominate reasons why growth was occurring in the southern end.

Dr. Serene said 51% of the system's money had gone to the southern end, and this didn't leave much for the other areas. She said Scotts Elementary was in a "sad situation." Serene said, "I cannot vote, in good conscience anymore, to spend more money in the southern end, until all of the schools are up to par." Serene said she didn't know of a single medical professional that had recently moved to the Statesville area. She said these people -- educated people -- were needed in the Statesville area to help with the United Way Agency, and other civic organizations. Serene said the county had individuals who had lived here all of their lives, and their children were attending older schools, while people who had just moved here were sending their children to the newer schools.

Tice said she believed in equity in the schools, but she took issue with the remarks being said about the southern end. She said that prior to the construction of Lake Norman High, the students had long, lengthy rides to South Iredell. Mrs. Tice said she had to attend a high school in Mecklenburg County because a high school didn't even exist in the southern end. She stressed that there was an influx of people in the lake area long before the new high school was ever built.

Serene acknowledged that Lake Norman High was needed, but she said the economics in all parts of the county needed a boost.

Tice agreed that the older schools needed to be improved, but she said that when she first became a commissioner, in the early 1990s, Brawley School was the worst one in the county. Mrs. Tice said Statesville needed a new high school, but she took issue with people saying the reason why growth was occurring in the southern end was due to the new schools.

Parker said that when boards waited too long, the catch-up was expensive.

Cashion said she attended South Iredell High School, and she was one of the students that endured a long bus ride. She said today, she lived within three miles of Lake Norman High. Mrs. Cashion said the students at Statesville High School were attending a facility that was third class, and she believed the funding proposal could work without a tax increase.

Williams said the reason for the Statesville and Iredell County School merger was exactly about what was being discussed -- equity between the northern end and the southern end.

Madison said that when he became a commissioner in the 1990s, he was told it would take \$50 million to bring the schools up to par, and the system would be in good shape for ten years. He said that in the 1990s, the county was in the bottom third for current expense, but this ranking had steadily improved. Now, he said the system was asking for \$124 million. Mr. Madison said the school officials were the ones responsible for the inequity, and they were the ones that sited the locations for the recently built schools. He said that he was proud of the past funding and the construction of the new schools, but he didn't see spending \$124 million for the purpose of building a new Lake Norman High School in each area of the county. Mr. Madison said he thought that if a \$124 million bond went before the general public for a vote, it would be defeated.

Parker said the \$50 million was insufficient. He said in 15 years, everyone's successors would be thinking about how irresponsible it was that this opportunity, with a low interest rate of four percent, wasn't accepted.

Williams said he had been a school board member and a member of the board of commissioners, and that to him, the current COPs method of approximately \$30 million every three years was a good program.

Dr. Cash said it appeared the two boards had never had a long-term plan regarding school facilities. Cash said he especially did not like having to spend money for mobile units, and the lab centers in the schools needed improvement. He mentioned that perhaps the county manager and the superintendent could meet to work out the finances.

Madison asked how much of the \$124 million would be applied towards Statesville High School.

Dr. Holliday said it would vary, but it would cost between \$24 to \$26 million, regardless of whether it was rebuilt or renovated. He said the proposed new South Iredell High would cost the same amount, and that Lake Norman High had been built for \$24.2 million.

Johnson said he had lived in Iredell County for 23 years, and it was evident to him that everyone always thought someone else was getting the benefit from all of the money. He said the revenue projections provided by the county's finance director in February did not look too promising, and for next year, there was only a two percent growth expected in sales taxes.

County Finance Director Blumenstein then shared a sales tax spreadsheet. She said the half-cent sales tax was dependent upon the state's economy.

Dr. Holliday said his finance officer had taken into account the decreased projections, and the proposal was still feasible.

Johnson said he had the following concerns about the \$124 million plan.

1. The 2002 half-cent tax is not new revenue. It merely reimburses the money already owed to the county. (Governor Easley previously withheld \$3.2 million.)
2. The proposal indicates there would be reduced operating costs. How can this occur when new classrooms and facilities are going to be built? Also, the plan doesn't allow for any repairs to the existing buildings.
3. The plan's amortization schedule has no payment in 2005 and only interest in 2006. The principal is deferred until 2007, and the annual payments are "relatively level" and not "level principal." It is questionable whether or not the Local Government Commission would approve this type of debt structure.
4. The Local Government Commission has guidelines pertaining to a county's reasonable debt burden. (Existing debt service is 9.86% of the county's general fund expenditures. The \$124 million would increase the debt to 18.03%, and this would be 3.03% over the recommended amount of 15% for Iredell County.)
5. The county had been burdened by increased Medicaid costs (\$1.5 million increase).

Blumenstein then shared several revised amortization schedules with information provided by the school's financing consultant.

Johnson said, after reviewing the schedules, that in the first year of payment there would be a deficit of \$5.7 million.

County Manager Mashburn said that in the past, the LGC had told the county staff numerous times, it could only recommend level principal methods for debt that was to be repaid out of the general fund. He said the projects previously referred to by Dr. Holliday, for example the Charlotte Arena, had a dedicated funding source. Mashburn said an amount of \$124 million would have to be in the form of a General Obligation Bond (GOB), and this had been indicated by the LGC. He said that if the GOB failed, the LGC stated it would be glad to work with the county in a piecemeal fashion.

Dr. Holliday said there were many instances where the LGC had approved “shaped debt.” He said that conversations had occurred with the LGC, and he knew the Pitt County School project had used a funding proposal similar to what had been presented. Holliday asked for the county and school staff to work together with the Local Government Commission.

Parker said there appeared to be conceptual questions, and the two staffs could address these.

Johnson said there were many needs in the county, and at some point, the jail facility would need improvements.

Dr. Cash suggested that the county and school finance directors, along with the superintendent and the county manager, meet to determine what was a reasonable proposal.

Johnson said he would like for the county staff to review the proposal. He mentioned that he didn’t feel it could be done without a tax increase. He suggested that the county staff prepare the necessary information using the revenues that would be available, and then, the school officials would be notified.

Williams said the concept had been discussed, but he didn’t feel the taxpayers should be left out of the process.

Dr. Serene said no one on the school board was selling out the taxpayers. She said it was her belief the proposal could save money.

Blumenstein said that in costs, a COPs issuance was comparable to a GOB. She said that with a GOB, the Local Government Commission sold the bonds, and they (bonds) could be spread out over a seven-year period. Blumenstein said that with a COPs, the issuer went to the market one time unless there were multiple issues. She said a COPs had costs for an underwriter, costs to insure the bonds, and costs for the Preliminary Official Statement (POS). She said a GOB didn’t have these expenses, because the LGC handled the transaction.

Holliday said that with a GOB, the county would be getting whatever interest rate was available. He said the school system was willing to use either method, but it preferred a COPs, because it saved money.

Williams said there wasn’t that much difference in costs, and this was why he preferred to offer the decision to the public through a General Obligation Bond.

Johnson reiterated that the county’s finance director would do the computations, and then he (Johnson), would notify Dr. Cash of the outcome.

ADJOURNMENT: The meeting adjourned at 6:00 p.m.

Approved: _____

Clerk to the Board

Note: A complete listing of the facilities to be addressed in the Iredell-Statesville School System’s \$124 million plan may be found in the commissioners’ minutes dated February 13, 2004 (Book 9, Pages 325 & 326).