

STATE OF NORTH CAROLINA)
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COUNTY OF STOKES)
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OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
JANUARY 13, 2011 – Work Session
JANUARY 13, 2011 – Special Meeting

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Financial Work Session along with a Special Called Meeting in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Thursday, January 13, 2011 at 2:00 pm with the following members present:

Chairman Ernest Lankford
Vice Chairman J. Leon Inman
Commissioner Jimmy Walker
Commissioner Ronda Jones
Commissioner James D. Booth

County Personnel in Attendance:
Clerk to the Board Darlene Bullins
Finance Director Julia Edwards

Financial Advisors:
Doug Carter, DEC Associates
Andrew Carter, DEC Associates

Chairman Ernest Lankford called the Financial Work Session to order and delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Lankford opened the meeting by inviting the citizens in attendance to join the Board with the Pledge of Allegiance.

Financial Work Session

Finance Director Julia Edwards provided the Board with the following documentation:

- Sales Tax Data for Fiscal Year 2010-11
- Debt Schedule as of 06-30-2010
- Debt Schedule as of 01-31-2011
- Detailed Debt Information (June 30, 2011)
- Sales tax revenue decreased in November due to changes made by the State

Finance Director Julia Edwards noted the following:

- Recent submitted NC Application for lottery funds will not be approved until DPI receives and approves the architectural plans for the proposed new elementary school
- Can request only funding for architectural fees, a new application form will have to be submitted

Financial Advisor Doug Carter presented the following power point presentation “Board of County Commissioners Planning Session – County Capital Needs Funding Plan”:

- Discussed the History of the Partnership Between the County and DEC Associates
 - Engaged by the County in the summer of 2008
 - Goal to create a Capital Funding Plan for School Building Projects
 - Some needs were becoming urgent and costly
 - Prioritize and plan to create least amount of impact to County Budget and Taxpayers
 - Creation of the Dedicated Capital Improvement Fund
 - Separate revenue stream and fund dedicated solely for Capital Formation and Debt Services
 - Reduces the “Peaks and Valley” of Revenue needed – Consistent Sources
 - Creates Distinctive Schedules and Priorities with Sound Fiscal Management and Minimal Budgetary Concerns
 - Placed the County in Sound Financial Policy position
- Review of the Initial Presentation given July 28, 2008
- Reviewed the Importance of the Financial Planning Process
 - Provides a road map
 - Sets policies and achievement objectives
 - Measures achievement
 - Provides for annual review and can change as needed
 - Provides for greater financial alternatives
 - Sets the stage for improving financial standing and resulting credit ratings
- Reviewed transactions that have been issued since 2008
 - Board of Commissioners approved moving forward with developing the financial plan on March 25, 2008
 - Board of Education originally requested \$56,000,000 for county schools along with \$1,300,000 for various renovations/repairs/equipment
 - \$5,300,000 was estimated for community college expansion
- Discussed the Current Revenue Projection Assumptions of the Debt Model
- Discussed the Elements of the Financial Plan
 - County Debt Capacity
 - State statute provides for up to 8% of assessed value for general obligation/COPS Debt
 - Currently .5% is used by the County
 - Resources/Revenues dedicated by the County Sets the Real Capacity
 - At present, approximately \$2.7mm dedicated to long term debt payment
 - Reduced by \$500,000 starting in Fiscal Year 2010 due to the changes in Articles 42 & 44
 - County Property Taxes – 60 cents current rate (average tax rate for NC Counties is approximately 65 cents)
 - Per capita appraised values at \$68,796 – good level, room for growth remains
 - Lottery revenues available for new debt
 - Part of the Capital Program can be funded from current resources
 - Credit Rating Considerations
 - Soundness of the financial plan
 - Capital Plan to meet needs
 - Especially for counties in high growth areas
 - County Management
 - Wealth levels and other statistics
- Discussed the Establishment of a Dedicated Capital Fund
 - Creates a New County Fund – Capital Fund
 - Deposit dedicated revenues into the fund
 - Merges revenues and cost to define debt and pay go capacity
 - Retain interest earnings in fund
 - Ability to add additional resources in the future, if need arises
 - Creates new capacity as debt declines and dedicated revenues grow
 - Integrates the various Sources of Debt and Pay Go Funding
 - Blends Cost
 - Adds Diversity
 - Levels Tax Impacts

- Produces a sound and credit position means to define Capital Needs for Established and On-Going Priorities
- Reviewed and discussed 2008 Scenarios
 - Scenario 1 = \$22,100,00 for new elementary school and Nancy Reynolds Elementary (no tax increase)
 - Scenario 2 = \$35,000,000 for schools, \$5,300,000 for community college (additional resource needed – equivalent of 3 cents in fiscal year 2010)
 - Scenario 3 = \$56,000,000 for schools, \$5,300,000 for community college (additional resource needed – equivalent of 7.5 cents in fiscal year 2010)
- Reviewed and discussed several alternatives projected since July 2008
- Reviewed and discussed two privately placed transaction which have occurred that were all within the county’s capacity with no new revenue resources needed
 - June 9, 2009 – two tranches
 - \$2,599,000
 - \$1,454,000 – Land Acquisition – 20 years, Level Principal, 4.73%
 - \$1,145,000 – Pinnacle PODs purchase – 15 years, Level Principal, 4.07%
 - February 4, 2010 – one tranche
 - \$11,500,000 – 20 years 2 years, interest only, wrapped principal, 4.89%
 - \$10,000,000 – Nancy Reynolds
 - \$1,500,000 – Community College Needs
- Reviewed and discussed revenue projection adjustments since 2008
 - Lottery revenue has been lower than expectations and projections since 2008
 - Was assuming a starting revenue of \$800,000 in previous models; now assuming \$550,000
 - Growth at 2% a year
 - This lowered lottery assumption is equal to approximately 1 cent of property tax equivalent revenue lost from the model
 - Cumulative effect on the Debt Capacity Model
 - Revenue from current debt payoff capacity – remains the same
 - Assumed Capital Fund Balance at the end of Fiscal Year 2010 is \$1,900,000
 - Growth at a conservative 2% in projected years
 - Assumed 1 cent gross in property tax equivalent of \$346,800 in Fiscal Year 2011
 - Assumed new revenue sources moved to Fiscal year 2012
- Review of Current 5 year history of interest rates

Financial Advisor Doug Carter also noted the following:

- Governments go into recessions more slowly than businesses and they come out slower than businesses
- It does seem that businesses have turn the corner, but governments have not turned the corner yet
- Some counties across the State are already making plans to close some schools and cut employees
- Financial advice is to keep the dedicated fund
- Financial models are figured very conservative
- Revenues are always projected lower than expected and expenditures are always projected higher than expected
- Lottery revenue has been projected very conservative
- Approximately \$1.9 million dollars in the Capital Fund at the end of Fiscal Year 2010
- Models have been projected with higher interest rates than the current interest rates
- Suggested the Board to urge Congress to reinstate a \$30 million dollar bank qualified provision which would allow the County to keep borrowing at lower cost both at issuance costs and interest costs (currently at \$10 million dollars)
- Models are very interactive

The Board discussed aspects of the power point presentations with Financial Advisor Carter.

Financial Advisor Doug Carter presented and discussed the following new Versions:

- 17a Debt Model
 - Total in the plan - \$23,599,000
 - Total already issued - \$14,099,000
 - Total left to issue - \$9,500,000 in the current model with no tax increase
 - Model includes:
 - Land & PODS = \$1,454,000
 - Land & PODS = \$1,145,000
 - Nancy Reynolds School = \$10,000,000
 - Community College = \$1,500,000
 - Available = \$9,500,000 – no tax increase
- 17b Debt Model
 - Total in the plan - \$40,599,000
 - Total already issued - \$14,099,000
 - Total left to issue - \$26,500,000 in the current model with a 3.15 cent tax increase in Fiscal Year 2012 (approximately \$1 million dollars)
 - Model Includes:
 - Land & PODS = \$1,454,000
 - Land & PODS = \$1,145,000
 - Nancy Reynolds School = \$10,000,000
 - Community College = \$1,500,000
 - Projection for new elementary school = \$13,000,000
 - Projection for Southeastern Middle School = \$6,000,000
 - Projection for Lawsonville Elementary School = \$1,500,000
 - Projection for Community College = \$6,000,000
 - Projections are based on all revenues staying the same
 - Models do not include any front loading to the Dedicated Capital Fund
 - Front loading the Dedicated Capital Fund will have an effect, but the model is based on continuous funding each year
 - Will need \$3.5 million along with the \$9 million dollars in the Dedicated Capital Fund to built the new elementary school without a tax increase

The Board discussed the State shortfall estimated at \$3.5 billion dollars, new elementary school project, renovations/construction project at Southeastern Middle School, community college, front loading dollars into the Dedicated Capital Fund, lottery funding estimates, and the need for businesses in the county.

Finance Director Julia Edwards noted that all permitting and designs will have to be approved by DPI before the County can make application to LGC and this Board will have to decide COPS, GO Bonds, or private placement.

Chairman Lankford expressed the Board's appreciation to DEC Associates for the information provided in today's Financial Work Session.

Financial Advisor Carter noted that they would be happy to run other alternatives.

The Board entered into a Special Called Meeting for a Closed Session directly following the Financial Work Session.

CLOSED SESSION

Chairman Lankford entertained a motion to enter Closed Session for the following:

- To consider the initial employment or appointment of an individual to any office or position, other than a vacancy in the Board of County Commissioners or any other public body, or to consider the qualifications, competence, performance, character, and fitness of any public officer or employee, other than a member of the Board of Commissioners or of some other public body pursuant to G.S. 143-318.11(a)(6).

Commissioner Booth moved to enter Closed Session for the following:

- To consider the initial employment or appointment of an individual to any office or position, other than a vacancy in the Board of County Commissioners or any other public body, or to consider the qualifications, competence, performance, character, and fitness of any public officer or employee, other than a member of the Board of Commissioners or of some other public body pursuant to G.S. 143-318.11(a)(6).

Commissioner Walker seconded and the motion carried unanimously.

The Board re-entered the regular session of the January 13th meeting.

Goals Planning Sessions

Vice Chairman Inman suggested the Board start looking at dates for Goals Planning Sessions. Commissioner Walker suggested placing the item on the upcoming Agenda.

Adjournment

There being no further business to come before the Board, Chairman Lankford entertained a motion to adjourn the Financial Work Session and Special Called Meeting.

Commissioner Walker moved to adjourn the Financial Work Session and Special Called Meeting. Commissioner Jones seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman