

Emergency Meeting

Chairman Lankford noted the Emergency Meeting had been called today to discuss Qualified Zone Academy Bond and Qualified School Construction Bond Programs.

Chairman Lankford noted the following the information from the Stokes County Board of Education regarding the two school construction projects:

- New Stokes County Elementary School
 - Guaranteed Maximum Price = \$12,526,790.00 (includes contingencies)
 - Scope of work as provided in Option D as presented by New Atlantic Construction
- Southeastern Stokes Middle School
 - Guaranteed Maximum Price = \$6,473,210.00 (includes contingencies)
 - Scope of work as provided by SFL+a pre-design budget analysis

Interim County Manager Rick Morris requested Clerk to the Board Darlene Bullins to explain the materials that had been presented to the Board.

Clerk Darlene Bullins noted the following:

- Information regarding the Guaranteed Maximum Price for both projects including cost estimates was provided to the Board
- Notification from the Stokes County Board of Education that option "D" has been approved for the new elementary school
- Qualified School Construction Bonds Program (QSCB)
 - Application for New Stokes Elementary School
 - Application includes Facility Resolution, Project Description, Proposed Spending Plan and Project Schedule (completion = August 1, 2012), written letter from the Board of Commissioners explaining how the district intends to repay the bond principal upon maturity
 - Amount of QSCB authority requested = \$12,500,000.00
- Qualified School Construction Bonds Program (QSCB)
 - Application for Southeastern Stokes Middle School
 - Application includes Facility Resolution, Project Description, Proposed Spending Plan and Project Schedule (completion date = August 2012), written letter from the Board of Commissioners explaining how the district intends to repay the bond principal upon maturity
 - Amount of QSCB authority requested = \$3,500,000.00
- Dr. Hobbs had stated that the cost for the Southeastern Middle School Project includes design fees in the amount of approximately \$400,000 that was not presented during the March 14th joint meeting

- Approved Board of Education Facility Resolution for Qualified Zone Academy Bonds (QZAB) which can only be used for renovations/rehabilitation

Interim Manager Morris added that Dr. Hobbs had stated that he had received information this morning from Raleigh that the county may have a very good chance securing the QSCB funding, actually may be the first submitting a QSCB application, and should have a response by the end of the week.

Dr. Hobbs noted the following:

- Reiterated that information from DPI indicates that there has been no other school system to inquire about the QSCB Program
- QSCB Program is stimulus funding that no school system has applied for
- No required 10% match like QZAB Program
- Can be used for new construction and renovations
- Board of Education approved a Resolution in their Emergency Meeting regarding the QZAB Program
- Southeastern Middle School meets the criteria for the QZAB program and with the Resolution already approved by the Board of Education, it will save time when applying for this additional funding
- Approximately \$84 million is available and is not a first come basis like the QSCB Program
- QZAB funding can only be used for renovations or rehabilitation
- Feels strongly the remaining funding needed for Southeastern Middle School can be acquired with the QZAB Program
- Can decline the funding after it is approved
- Thought the QSCB Program was interest free, it is “intended” to be interest free
- DPI suggested the County discussed the QSCB program with their financial advisor/bond attorney regarding possible additional ways to lower the interest rate if it is not zero

Finance Director Julia Edwards noted the following information regarding the QSCB

Program:

- Contacted the county’s financial advisor, DEC and Allison Peeler of BB&T
- QSCB Program is intended to be zero interest bonds, but the program works as follows:
 - **Scenario:**
 - The county obtains the funding with a 5.5% interest rate
 - The federal interest rate for this program on the day of closing is 5%
 - The county would request a rebate for the 5%, thus the county only having a .5% for the interest rate

Other information

- The interest rate usually changes daily
- The federal program also dictates the number of years for the loan, it could be 15, 16, 17, 14, 12, etc.
- Normally, per Allison Peeler, it is usually 15 or 16 years
- Cumberland County who closed in January 2011 did the QSCB program and got a 1% interest rate after the calculation
- Several things are looked at for the interest rate including the county's bond rate
- Principal will be more since the years are less
- QSCB and QZAB Programs are calculated the same way
- County's financial advisor is very familiar with the programs

Commissioner Booth confirmed with Finance Director Edwards that the rate is locked in at closing, but the county will have to apply for the rebate each year.

Vice Chairman Inman questioned what economic indicators are tied to the federal rate.

Vice Chairman Inman suggested that possibly the financial advisor watch the economic indicators to try to get the lowest rate possible.

Finance Director Edwards noted that Allison Peeler had indicated that the economic indicators would be watched carefully before the closing.

Commissioner Jones confirmed with DEC Consultant Jeremy Carter, who was contacted via conference telephone call, that once the rate is set, even if the federal rate increases or decreases, the county rate is locked in on the day of closing.

Dr. Hobbs noted that Macon County that just completed a QSCB application and was locked in with a .06% interest rate.

The Board discussed the QSCB Program with DEC Consultant Jeremy Carter.

Commissioner Walker expressed his appreciation to Chairman Lankford for calling the Emergency Meeting in order to apply for the possible zero interest bonds thus savings tax dollars.

Commissioner Walker confirmed with DEC Consultant Carter that there was no downside to this program and to proceed with the application.

Consultant Carter noted that DEC could run new models once the allocation is approved by DPI and can determine how much savings there would be in interest payments.

The Board discussed the huge possible interest savings which could be approximately \$950,000 in the first year.

Vice Chairman Inman confirmed with Consultant Carter that the federal indicators are complicated and include such things as the treasury, market, etc. and that the most recent private loan placement was in the low sixes. Consultant Carter also noted that the amortization rate is set the first day of the month and that all indicators can be carefully watched in order to get the best rate possible for the county.

The Board expressed appreciation to Consultant Carter for the information.

Dr. Hobbs noted that the QSCB Program requires that a commitment in the form of contracts for the work for 10% of the funds must be made within 6 months and the remainder must be spent within 3 years after the issuance of QSCB bonds. Dr. Hobbs noted that would not be a problem.

Vice Chairman Inman confirmed with Superintendent Hobbs that the Guaranteed Maximum Price submitted for the Southeastern Middle School Project will bring Southeastern Stokes up to the level of a 21st century school.

Dr. Hobbs stated that he felt strongly that both quotes, once they go out for bids, will come under the quotes and that there will be savings as far as the contingencies (numbers for the Southeastern Project are the architectural figures not CM@Risk figures).

Dr. Hobbs stated there is a possibility that some of the other items listed (deferred list) for the Southeastern Project can be done with the savings.

Dr. Hobbs expressed his appreciation to Board of Commissioners for their quick response to this great opportunity.

Commissioner Booth confirmed with Dr. Hobbs that the remaining funding, if the County gets the entire \$16 million, for the Southeastern project can be funded with the QZAB Program.

Dr. Hobbs also noted that he could secure the 10% private partner match required with the QZAB Program.

Chairman Lankford entertained a motion.

Vice Chairman Inman moved to approve the Qualified School Construction Bonds Applications for the new elementary school (\$12,500,000) and the Southeastern Stokes Middle School (\$3,500,000). Commissioner Jones seconded and the motion carried unanimously.

Interim Manager County Manager Morris confirmed that the Board members approved the Chairman to execute the letter written regarding the repayment of the Bond principal upon maturity which was included in the application.

Adjournment

There being no further business to come before the Board, Chairman Lankford entertained a motion to adjourn the Emergency Meeting.

Commissioner Jones moved to adjourn the Emergency Meeting. Commissioner Booth seconded and the motion carried unanimously.

Darlene M. Bullins
Clerk to the Board

Ernest Lankford
Chairman