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CUMBERLAND COUNTY FINANCE COMMITTEE OCTOBER 7, 2010, 8:30AM, ROOM 564 MINUTES

MEMBERS PRESENT: Commissioner Kenneth Edge
Commissioner Jeannette Council

MEMBERS ABSENT: Commissioner Marshall Faircloth

OTHER COMMISSIONERS ATTENDING: Commissioner Jimmy Keefe
Commissioner Phillip Gilfus

OTHERS: James Martin, County Manager
Juanita Pilgrim, Deputy County Manager
Amy Cannon, Asst. County Manager/Finance Director
James Lawson, Asst. County Mgr/HR Dev & Support Svs
Rick Moorefield, County Attorney
Sally Shutt, Communications Manager
Howard Abner, Assistant Finance Director
Marie Colgan, Clerk to the Board

Commissioner Edge called the meeting to order stating that Commissioner Faircloth could not be in attendance and welcomed Commissioner Keefe and Gilfus.

1. Approve Minutes: September 2, 2010

MOTION: Commissioner Council moved to approve as presented.
SECOND: Commissioner Edge
VOTE: UNANIMOUS

2. Consideration of Issuance of Qualified School Construction Bonds and a Potential Debt Refunding Opportunity

Mrs. Cannon provided a revised handout for this item explaining the only difference is in the Underwriting Team titles on page 2. Mrs. Cannon provided the following information:

- 1) The County received its first allocation of Qualified School Construction Bonds (QSCB) under the American Recovery and Reinvestment Act (ARRA) in December, 2009 in the amount of approximately \$15M and was used for renovations, classroom additions, and cafeteria additions in several different schools. The second allocation of \$14.8M has been received and will be used for construction of the Western Middle School on the same campus of Western Elementary and Library. The Board of Education will receive bids late in October for consideration and approval by them. This will then be brought to the Board of Commissioners the second Board meeting in November with Local Government approval on December 7th.

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2) A current evaluation of the market by the County's Financial Advisor, DEC Associates, indicates the County has two prior debt issues in the amount of \$44.5M that are eligible for refunding with a potential savings of \$2.9M or 7% in net present value savings (\$248,000 in annual savings through 2028) which is significant. The refunding would replace the original 2008 debt issues for the Public Health Center and Grays Creek Middle School. Therefore, management recommends combining the sale of the QSCB's with this refund opportunity if market conditions remain favorable. The transaction would be approximately \$60M.

3) Mrs. Cannon further stated that management recommended the working group identified below be established to proceed with these transactions based on the expertise of each in specific parts of the transactions, the experience of each, and the working relationship each had developed with the County:

Underwriting Team:

Stephens, Inc - Co-Manager

Wells Fargo - Co-Manager

Jackson Securities, Inc. - Selling Group

DEC Associates, Inc. - Financial Advisory

Hunton and Williams - Bond Counsel

In answer to questions posed by Commissioner Keefe, Mrs. Cannon verified that the savings mentioned is after all transaction costs have been paid and that the interest rate is a fixed rate of less than 4%.

Mr. Moorefield advised it would be helpful for staff to co-ordinate the bond work on the refunding and QSCB transactions with the bond work for the Gray's Creek project by using the same bond counsel. Mr. Moorefield acknowledged that these transactions could be split and use separate bond counsel. He stated that he believed Hunton & Williams might absorb the cost of any preliminary work in the event the referendum failed. He stated the firm had provided substantial assistance with his questions about the feasibility of a Crown-hotel project with the current financing in place without cost to the county. Mr. Moorefield further advised that local attorney Jonathon Charleston had requested to be considered for this bond work and that there was certainly substantial merit to using local professionals to the greatest extent possible.

MOTION: Commissioner Council moved the following:

- 1) Authorize Management to proceed with submitting an application to the LGC for the QSCB's in the amount of \$14.8M and the refunding of approximately \$44.5M depending upon continued analysis of municipal market conditions.
- 2) Approve the working group as presented for this transaction.
- 3) Approve Hunton and Williams to serve as Bond Counsel for the Grays Creek Water and Sewer District for continuity since these transactions will overlap to a great extent.

SECOND: Commissioner Edge

VOTE: UNANIMOUS

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3. Monthly Financial Report

Mrs. Cannon referred members to the handout included in their packet, advising what is being presented today is another report on the 13th period obligations with about 98% of the adjusting entries recorded. Auditors are working this week on the draft report for the County's review which will then go to Local Government and expectations are that Cherry, Bekaert and Holland will do a presentation to the Board at the second meeting in December.

Mrs. Cannon reviewed some of the various entries in the report on the Summary of Obligations noting that the subtotal line shows that the spending rate for 2010 is slightly below the 2009 level. Commissioner Edge noted that the County is holding the line on the budget.

During a discussion regarding the Emergency & Protective Services line item, it was noted that the difference in the amount shown is \$1.6M of VIPER funds which have not been expended. Discussion ensued regarding the allowable uses of the E911 funds as the use regulations have changed. In response to an inquiry from Commissioner Keefe, Mrs. Cannon advised that according to the Chairman of the 911 Board, these funds cannot be used for the Detention Center construction. Commissioner Council voiced her concern that the County ensure that a large enough space is considered for a consolidated 911 facility and the possible use of these funds for a stand alone facility.

Mrs. Cannon continued her review of the handout. Under the Revenue Summary sheet, it was noted the County received \$142M in real and personal property taxes in 2010 and \$11.9M in motor vehicle taxes, making \$159.7M after adding prior years and other taxes. Based on the tax levy, overall for fiscal year 2010, the collection rate was 97.62% making the seventh straight year that the Tax Department has maintained this high collection rating. It was noted that the county wide sales tax distribution for 2010 was about 5.5% or \$2.5M below last fiscal year. Under Interest Income no major increase is expected in 2011. Mr. Abner noted that interest income has been up for the last two months which is the first time in two years there have been back-to-back positive months. Overall, the subtotal of categories 10-70 shows figures slightly above the 2009 budget. Only about \$420,000 more has been expended compared to income. Mrs. Cannon answered questions regarding some of the categories and a discussion ensued regarding the ABC Store line items and Commissioner Edge advised that counties could lose the income from the ABC system due to a movement which is taking place to privatize them.

4. Other Matters of Concern –

Mrs. Cannon advised members of a new governmental accounting standard which addresses the categories of fund balance through new terminology and classifications. Until now, the guidance regarding this new standard had been sketchy, but new information was just received which appears to be the final clarification needed. This new standard will become effective with this fiscal year which will affect the June 30, 2011 reporting. Mrs. Cannon advised she

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will invite the county auditors to attend an upcoming Finance Committee meeting to provide information on the new categories.

MOTION: Commissioner Council moved to go into Closed Session to discuss a Personnel Matter pursuant to N.C.G.S. 143-318.11(a)(6).

SECOND: Commissioner Edge

VOTE: UNANIMOUS

MOTION: Commissioner Edge moved to go back into Open Session

SECOND: Commissioner Council

VOTE: UNANIMOUS

MOTION: Commissioner Council moved to adjourn.

SECOND: Commissioner Edge

VOTE: UNANIMOUS

MEETING ADJOURNED AT 9:50 AM