

CUMBERLAND COUNTY BOARD OF COMMISSIONERS
THURSDAY, NOVEMBER 15, 2018 – 1:00 P.M.
PUBLIC HEALTH DEPARTMENT – 1235 RAMSEY STREET
THIRD FLOOR, BOARD OF HEALTH CONFERENCE ROOM
SPECIAL MEETING MINUTES

PRESENT: Commissioner Larry Lancaster, Chairman
Commissioner Jeannette Council, Vice Chair
Commissioner Glenn Adams
Commissioner Michael Boose
Commissioner Marshall Faircloth
Commissioner Jimmy Keefe
Amy Cannon, County Manager
Melissa Cardinali, Assistant County Manager
Tracy Jackson, Assistant County Manager
Sally Shutt, Assistant County Manager
Duane Holder, Assistant County Manager
Brenda Jackson, Social Services Director
Jeffrey Brown, Engineering and Infrastructure Director
Vicki Evans, Finance Director
Ivonne Mendez, Accounting Supervisor
Deborah Shaw, Budget Analyst
Heather Harris, Budget Analyst
Bob Tucker, Accounting Supervisor
Doug Carter, President DEC Associates, Inc.
Andrew Carter, Vice President DEC Associates, Inc.
Candice White, Clerk to the Board
Press

ABSENT: Commissioner Charles Evans

Chairman Lancaster called the meeting to order.

Amy Cannon, County Manager, welcomed DEC Associates, Inc. and stated staff worked with the Board in August and October this year to implement the Capital Investment Fund approach to establish priority projects. Ms. Cannon stated DEC Associates, Inc. is here with the model and revised priorities and the FY2018 fund balance results that play into the model.

Doug Carter, President of DEC Associates, Inc., stated since the March 2018 meeting and in addition to implementing the CIF approach and establishing priority projects, the Board took action to move forward with a Performing Arts Center economic and feasibility study and appropriated \$300,000 to fund the study. Mr. Carter stated the model has been updated to reflect the full fund balance achieved by the end of FY2018, project priorities have been put into the model and general government and Crown Center activities have been separated into two models; one is an Enterprise Model for the Crown/Performing Arts and the other is the General CIF Model.

Mr. Carter highlighted General CIF changes or updates:

- Updated spending, revenue and fund balance for FY ended June 30, 2018 (benchmarking)
- Updated annual and one-time revenues to match FY19 budget
 - New base for future projections
- Updated pay-go spending and other one-time expenses to match FY19 budget
- Water projects now reflect a non-USDA financing method-shorter amortization to sell in Capital Markets
- 911 Center and Emergency Operations Center given 2019 priority
- Reflects change in capital needs for community college
- Moved \$9.5 million FY2017 general fund unassigned fund balance into General CIF model

Mr. Carter stated the Crown/Performing Arts CIF model is a work in progress and although not yet definitive, assumptions have been made that are fair until the appropriate size, cost, location, attendant operating costs, economic impacts to the community and the capacity to raise private and public funds are better defined in the economics and feasibility study. Mr. Carter stated the

key is to look at this as a community effort that brings into play the public, business private and individual private.

Mr. Carter highlighted the Crown/Performing Arts CIF based on estimates:

- Structured as an enterprise model with dedicated (restricted) revenue streams
 - Occupancy tax and food and beverage tax
- Captures all operating and capital (pay-go and borrowed) spending
 - Spectrum operating, management and incentive fees
 - Maintenance and repairs on coliseum complex (pay-go)
 - Current outstanding debt (pays off completely in 2025)
 - Estimate of funding of 2017 CIP projects
 - Estimate of debt issuance for the PAC in 2022

Mr. Carter stated depending on the outcome of the study, there will be a time period in which the Crown/Performing Arts CIF Model will need an advance from the General CIF Model, and this will be paid back or reimbursed by the enterprise fund.

- Funding method to accommodate future impacts on the model
 - General CIF to provide advances to break even in the model
 - Crown CIF to reimburse after break even in the model

The Crown Center Financial Model, which reflected estimated capacities using current project priorities and timing, was distributed and reviewed. Mr. Carter stated the growth assumption for Hotel-Motel Tax is 1.00% and Food and Beverage Tax is 2.75% annually. In response to a question posed by Commissioner Keefe, Mr. Carter stated the assumption is that the County will continue to receive the Hotel-Motel and Food and Beverage taxes. Mr. Carter advised the economic and feasibility study will have an impact and in order to be more conservative, revenues have not gone into the model until cost projections are available. Mr. Carter highlighted current outstanding GO debt, take out of the 2017 CIP in the amount of \$6.8 million belonging to the Crown and the 2023 LOBs for the PAC in the amount of \$50 million. Mr. Carter reviewed figures for the five years in which the CIF will advance funds to the Crown model and responded to questions related to the method between the two models for the advancement and reimbursement of those funds. Mr. Carter stated the County will finance \$56.8 million between the two issuances, the seventeen CIP projects will be taken out in one and one-half years, the debt will be issued in 2022 which will start construction of the new facility and the debt service will hit the model in 2023.

In response to a question from Commissioner Adams, Ms. Cannon stated to kick-start the budget process every year, an annual review of the models will be conducted each fall.

The General CIF Model was distributed. Mr. Carter reviewed expenditures and stated \$158 million has been programmed in new debt to come out of this model in addition to the pay-go. Mr. Carter reviewed revenues dedicated to the model and County pay-go funding. Mr. Carter stated the good news about the General CIF Model is that at the current time, the County has some capacity beyond what is already programmed so the model is not at this point “tapped out”. Mr. Carter further stated the belief of the working group is that until the County receives the economic and feasibility study on the PAC, the County gets its arms around revenues and costs and receives the capital plan developed by the school system, the County should hold the General CIF Model as it is based on current assumptions. Questions and discussion followed.

Mr. Carter conducted a review of a handout of Cumulative General CIF Model Capital Impacts and how dedicated annual resources add up from 2019 through 2030 or over the next eleven years. Mr. Carter stated all of this is accomplished with the money currently in the model and without a tax increase.

- Total approximate pay-go (paying out) amounts:
 - Schools \$127,593,438
 - General government maintenance and repairs \$12,266,203
 - General government CIP projects \$26,513,206
 - FTCC \$13,409,096
 - Information Technology \$18,054,053
- Future school capital fund continues to accumulate money to total \$22,912,845

All references to any materials which are described in these minutes or incorporated into these minutes are to the materials that are contained in the same numbered item in the agenda for this meeting. These may be viewed online in the agenda set out on this web page <http://co.cumberland.nc.us/departments/commissioners-group/commissioners/meeting-documents>

- Excess funds produced by lottery and sales tax upon payoff of school debt and pay-go
- Cash flow amounts could provide debt service on bond issues of \$40 to \$60 million from 2024 to 2030

Ms. Cannon stated county management has had initial discussions with the school superintendent and will begin meeting in January 2019 on their facility needs from a long-term perspective. Mr. Carter stated this will give the schools a good education on how the county values and looks at debt affordability and how the schools integrate with the rest of the plans of the county. Mr. Carter stated because it came close in the previous legislature, he still thinks there is the potential for other capital dollars from a state-wide bond referendum. Mr. Carter continued his review.

- Debt funded amounts of:
 - General government \$61,850,000
 - FTCC \$10,000,000
 - Water \$83,000,000
- Total capital investment through 2030 of \$352,686,151
 - Total General CIF debt funded and pay-go spending
 - Does not include potential for \$40 to \$60 million new school debt from school capital fund
 - Additional capacity exists – need school capital plan to fold into General CIF model

Commissioner Keefe asked whether the NCACC will pursue an increase in lottery funds. Commissioner Faircloth stated the NCACC is in the process of developing its legislative goals and they will be voted on in January 2019 at the legislative goals conference in Raleigh. Commissioner Faircloth stated online sales tax collections will also be monitored in light of the new court case. A brief discussion followed. Mr. Carter continued his review.

- Total approximate pay-go amounts:
 - Maintenance & Repairs \$20,913,955
- Debt funded amounts of:
 - 2017 CIP Projects \$6,800,000
 - Performing Arts Center \$50,000,000
- Total capital investment through 2030 of \$77,713,955
 - Total Crown CIF debt funded and pay-go spending
- Current projections in the Crown CIF model reflect need to advance funds from General CIF from FY21 – FY25 of approximately \$11.8M
 - Repaid to General CIF from the Crown CIF model from FY28 – FY33

Mr. Carter reviewed items moving forward:

- Conduct Performing Arts study (economics and feasibility) 2019
- Conduct Administrative and Courts facility study FY21
- Update the CIF financial model to reflect changes, if any, from this update
- Update the CIF financial model at least annually during the fall
- Consider moving available funds to the respective CIF fund balances
 - General Fund \$9,500,000 into the General CIF model
 - Food & Beverage \$5,600,000 into the Crown CIF model
- Conduct process to select Performing Arts study consultant
 - Develop RFP for study consultant, DEC providing examples
 - Move forward with study, target to begin Spring of 2019

Commissioner Faircloth asked whether any growth was added to the model. Mr. Carter stated the growth assumption of the Crown Center Financial Model is that the value of one penny grows by 1% annually.

There being no further business, the meeting adjourned at 2:05 p.m.

Approved with/without revision:

Respectfully submitted,

Candice H. White
Clerk to the Board