

DATE:	September 20, 2010	PRESENT:	Mary Grace Bright, Chair Jill Camnitz Benjie Forrest Jennifer Love Barbara Owens Roy Peaden Marcy Romary Dick Tolmie Matthew Ward
TIME:	6:05 P.M.		
PLACE:	Community Schools and Recreation Building	ABSENT:	Ralph Love, Sr. Billy Peaden Mary Williams

The Pitt County Board of Education and Pitt County Board of Commissioners met in joint session Monday, September 20, 2010. In addition to the Pitt County Board of Education members present, as listed above, Commissioners present included Kenneth Ross, Chair, Jimmy Garris, Eugene James, Tom Johnson, Sr., Melvin McLawhorn, Mark Owens Jr., Ephraim Smith and Beth Ward. David Hammond, Vice-Chair was absent.

Staff members in attendance for the Pitt County Board of Education were Superintendent Beverly Reep; Associate Superintendent of Operations Aaron Beaulieu, Assistant Superintendent of Finance Michael Cowin, Public Information Officer Heather Mayo, In-House Attorney Rob Sonnenberg, and Administrative Assistant to the Board Brenda Pippin. Also present in the audience were newly elected Board member Worth Forbes and Mr. Jimmy Hite of Hite Associates.

Staff members in attendance for the Pitt County Board of Commissioners were County Manager Scott Elliott, Deputy County Manager/Financial Services Melonie Bryan, County Attorney Janis Gallagher, Clerk to the Board Kimberly Hines, County Engineer Phil Dickerson, Public Information Director Kiara Jones and Public Information Specialist Mike Emory,

Chair Kenneth Ross called to order the Board of County Commissioners following which Chair Mary Grace Bright called to order the Pitt County Board of Education in Joint Session.

Board Member Matthew L. Ward gave the invocation and Commissioner Melvin McLawhorn led the Boards in the Pledge of Allegiance.

Motion for approval by the County Commissioners of the Agenda was made by Mr. Jimmy Garris, second by Mr. Eugene James. Motion passed unanimously. Motion for approval by the Board of Education of the Agenda was made by Mr. Roy Peaden, second by Mr. Dick Tolmie. Motion passed unanimously.

Chair Kenneth Ross welcomed both Boards to the joint meeting to review the capital needs of Pitt County Schools.

County Manager Scott Elliott then stated that he and Superintendent Beverly Reep met last Friday in preparation for tonight's meeting. Mr. Elliott stated he felt it was important for Assistant Superintendent of Finance Michael Cowin to present to both Boards around the table the remaining capital projects proposed by Pitt County Schools and what revenue streams are anticipated in the near future. He mentioned that at the last County Commissioners Meeting, discussion was held regarding the Sadie Saulter

Project funded by a Qualified School Construction Bond which in effect means 0% interest for financing this project. The Sadie Saulter Project will house the Pre-K program and central office staff from Third Street and the Exception Children staff and programs now housed at ECVC. Mr. Elliott also mentioned Chicod School and all that is involved with that construction project. He discussed the debt service for the County that will be added by these projects. Mr. Elliott stated the revenue sources including corporate income tax, Articles 40 and 42, the local ¼ cent sales tax and lottery funding will be discussed with the uncertainty of what the State of North Carolina budget will allow in the days ahead. He commented that we are not only looking at the next one or two years for these projects, but a long term view point for financing of these projects needs to be considered. For these reasons, Mr. Elliott wanted a joint meeting between the Boards so questions can be answered from both parties and discussion held so that informative decisions can be made.

Dr. Beverly Reep stated that County Manager Elliott had outlined the discussion well, and she concurs with what has been stated. She reported that Assistant Superintendent of Finance Michael Cowin will present to the Boards a detailed summary of Pitt County Schools Projected Capital Outlay for Revenue and Expense.

Mr. Cowin stated he would like to spend a few minutes discussing Projected Capital Outlay Revenue and Expense. In reference to the revenues, Mr. Cowin stated there is a high level of uncertainty at this time given the State budget. Adding to the level of uncertainty in our capital revenue, as well as what impact will be made on our future capital outlay funding, is the fact that over the last sixteen months the State has redirected money in various revenues. He mentioned in the 2009-10 school year, there was a \$1.2 million dollar reduction in State corporate income tax. This year, Mr. Cowin reported the State redirected \$800,000 in Lottery funding. The last reduction in revenue Mr. Cowin mentioned was the local Article 40 sales tax being reduced from 40% to 30%. The total amount of redirection in debt leveraging capacity for construction equals \$31,547,800.

Mr. Cowin reported that word from Raleigh is the State budget shortfall for next year could be upwards from \$3.3 billion with Federal Medicaid ending, Federal stimulus money gone and temporary tax increases expiring. He stated State agencies across the state have been asked to put together budget reduction scenarios from 5-15%. Mr. Cowin stated Pitt County Schools has been funded approximately \$6.7 million with Stimulus money which will no longer be available after fiscal year 2010-11 – 189 positions were funded by Stimulus money this year.

Another avenue of capital funding that has been redirected is with lottery dollars being approved to fund salaries and benefits for classroom teachers or to retire debt. Mr. Cowin further stated if school systems across the State start using lottery revenues to fund teachers rather than capital, the State will have more justification to further reduce lottery capital revenues and redirect such funds within the State budget to cover teacher salaries.

Mr. Cowin commented that capital projected revenues and expenses are based on budget parameters/assumptions that are volatile and subject to change based on:

- Economic conditions
- Consumer spending (i.e. sales tax)
- Changes in State/Local Legislation.

He then introduced two scenarios based on current legislation, current Capital Outlay Revenues, current cost of borrowing and the precedence set over the past sixteen months with redirection of State and Local Capital Funding. In looking at the budget parameters used for projected revenue in these scenarios, four areas will be used:

tax than in debt and other revenue (i.e. lottery funds) just supplemented the sales tax. She also stated the special ¼ cent sales tax was not used for approximately two and a half years and earned \$4 million a year the first two years. Ms. Bryan concluded by stating that adding all these funds together gives an approximate \$15 million capital fund balance. County Manager Elliott commented that it sounded like a lot of money, but was not a lot of money when compared to the overall needs of the system.

Commissioner Jimmy Garris then asked would the reduction in capital money have any impact on the county's 18-19% with the answer being no.

Mr. Cowin then began summarization of Scenario II stating this is the "what if" scenario with approximately a 50% reduction (\$900,000) in lottery funding for the upcoming school year through FY2017-18. He stated Sadie Saulter and Chicod were both fully funded in this scenario as well. Mr. Cowin used the same format as stated above in Scenario I with the projected fund balance disappearing quickly over a few years as it's used to fund the debt service on an on-going basis. His comments regarding this scenario are that budget shortfalls are projected for FY2011-12 through FY2017-18, which will be covered by projected Capital Fund Balance through FY2013-14 and unfunded budget shortfalls occurring with FY2014-15 through FY2017-18.

Mr. Cowin stated there are all kinds of scenarios in-between Scenario I and Scenario II, but ultimately it's unknown where the State might head. It can be said that any deviation in revenue funding will have a significant impact on the school system's operation. Mr. Cowin stressed the importance of talking to our legislators and letting them know the importance of these revenues to Pitt County Schools and future construction projects.

Mr. James asked was the county debt service currently in excess of \$8 million with County Manager Elliott stating that is correct. Mr. James then asked what will the debt service be in 2012, which is what he's concerned with. Mr. Cowin then stated the debt service will be approximately \$9.2 million in 2012, which will include the Sadie Saulter project, but not the Chicod project. He stated the debt service would continue to rise, but would then begin to reduce with the Wintergreen payoff. Ms. Bryan stated the debt service was not usually a steep rise and then sharp fall, but on a more level or constant format for principal payments with interest actually declining. Mr. James asked when the first project would drop off that is in this current scenario with Ms. Bryan responding Wintergreen will drop off in 2017-18.

Commissioner Betty Ward asked if the \$8 million debt service was just for Pitt County Schools with Ms. Bryan stating yes. Mr. James commented that Mr. Elliott would be watching debt services from combined sources to keep the County in focus. Ms. Bryan reported that County debt is funded with property taxes and repeated the funding sources for schools, i.e. ¼ cent sales tax, lottery, etc.

Commissioner Melvin McLawhorn commented that there is money spent for designated projects and money spent for undesignated projects. He asked what was the percentage of money received this year that can be spent for undesignated projects as needed. Mr. Cowin answered that in these numbers presented there is a Category I, II, III expenditure in the amount of \$750,000 that goes to fund various capital projects plus regular capital outlay projects in the amount of \$785,000 used for new roofs or other replacement needs.

Mr. Jimmy Garris stated in looking at the ¼ cent sales tax and the redirection from Raleigh, we will really only net out about 1/8 cent. Ms. Bryan explained that it was all the redirections from the State - corporate income tax, lottery funding and Article 40

sales tax that were being redirected in debt leveraging capacity for a total of \$31 million. She stated Article 46 was coming in just as anticipated but the other redirections by the State were making the difference in funding. Mr. Garris stated that regardless of where the funding came from, the County was still going to be short the \$65 million for debt leveraging by about \$31 million.

Mr. Elliott then stated the County in years past had set aside 40% of the revenue source to school capital construction, but the Statute says we only have to dedicate 30%. The County reduced the figure to 30% to balance the overall County budget, which is the \$5.1 million in debt leverage shown for the local Article 40 sales tax.

Commissioner Mark Owens stated that the General Assembly has not meddled with the ¼ cent sales tax at this point, but there is fear down the road that they might do so.

Mr. Garris stated he didn't really care where they take the money from – this pot or that pot – it still reduces our ability to meet our needs which is his concern. Mr. Elliott commented that there are some counties who use the lottery money to meet the debt service and make up the difference needed by adding in more taxes or wherever they can find extra money. Mr. Cowin stated in a survey of finance officers across the state that was the case – using the lottery money to pay current debt service. Ms. Beth Ward stated they put themselves in that position because they did not look to the future and what was happening with the economy. She stated the proactiveness of both Pitt County Boards is very important in that you have to look at what is happening, but also look at what might happen.

Superintendent Beverly Reep also reminded everyone that our Article 46 started at one penny and negotiations in Raleigh got it to ¼ penny because they said that's what would get through the General Assembly. If we had the penny, she stated we would not have these issues. They used the other sources of revenue for their argument. Now when we speak with our legislators, she stated it would be good to remind them that three years ago when they cut Article 46 from one penny to ¼ penny stating we had all these other revenue sources that they have now redirected our other sources of revenue which we rely on for capital projects. Ms. Ward also mentioned that the County also had to keep paying on Medicaid for three years. No matter, Ms. Ward stated there are counties out there who have not built in ages, and we are much better off than most.

Associate Superintendent of Operations for Pitt County Schools Aaron Beaulieu then came forward to discuss the Long Range Facility Plan launched in 2009. He stated the net effect that our revenue is down is almost exactly equal to our ¼ cent sales tax annual projection as Mr. Garris was stating earlier. Thus, Mr. Beaulieu stated we have lost leveraging ability of over \$3 million of annual revenue streams, which were projected in our facility plan to fund the Phase I and Phase II projects. He spoke of economic times and the "perfect storm" that Mr. Cowin describes brewing for next year's State budget. Mr. Beaulieu stated in his twenty-year history working with funding, he's never seen the revenue streams tapped to fund other statewide expenditures. He then stated that we have been most fortunate in the construction projects we have underway and some now completed in Phase I and gave an update as to their progress. Mr. Beaulieu reported that our new elementary school, Lakeforest, was built exactly like Ridgewood Elementary four and one-half years ago, but cost \$2.3 million less.

He reported that Sadie Saulter and Chicod are also part of the Phase I Projects. The Chicod Project could not move forward as municipal sewer answers had to be obtained, and we are now working with the County and Wooten Company to install the system. Mr. Beaulieu stated we have been most fortunate in working with the County in getting

a Grant and are in the process of designing that sewer system. Chicod remains the current number one project as far as the structure of the facility and safety issues.

Sadie Saulter has been approved as a Pre-K Center moving students and staff housed at the Third Street Center and also for housing the Exceptional Children staff and programs located at ECVC (Eastern Vocational Career Center). Mr. Beaulieu stated we pay approximately \$135,000 a year to rent space at the ECVC location. He commented that Sadie Saulter will be a much more vibrant center with the addition of almost 28,000 square feet at a cost of approximately \$5.7 million. Mr. Beaulieu stated with what we pay for rent at ECVC and what it costs to run Third Street, it almost balances out to the \$285,000 a year payment we will make for our annual debt for Sadie Saulter construction.

Regarding Sadie Saulter, Mr. Beaulieu stated bids were taken August 4, 2010 which came in at approximately \$5.7 million. Again he stated that we plan to use interest free money from the Qualified School Construction Bond and construction has to be started by December 2010.

In reference to Chicod School, Mr. Beaulieu stated the architect has been selected, and we are in the design phase as the sewer project has been in progress with the County and Wooten Company. He stated that the plans being studied leave Chicod as a K-8 school with the front 1929 structure of approximately 43,000 square feet being taken down and adding back somewhere between 85,000-105,000 square feet in capacity depending on what size school we build it to. Currently it is scheduled to be bid in March, 2011 with an estimated cost of \$16-\$18 million dollars.

The other two projects that have been identified by the Board but are basically in conceptual phase is relief for A. G. Cox School with its front part being 1936 construction and our current bus garage site, as someone has approached us about purchasing this site, and us renovating a newer facility that is north of the river.

Mr. Beaulieu stated proposed next steps would be approval of the bids for Sadie Saulter by both Boards at their first meetings in October using the Qualified School Construction Bond with interest free money, make debt payments of \$285,000 a year against our revenue streams and hold off on the bidding in March 2011 of the Chicod School Project until we know the impact of the State. He stated if bids could be taken sometime during the summer, we feel this will not hinder the two-year construction schedule in place for Chicod. Based on stating this, Commissioner Jimmy Garris asked what effect this would have on Scenario II mentioned earlier. Mr. Beaulieu stated if the lottery money is reduced as in Scenario II, funding of the Chicod Project would be very difficult. Ms. Jill Camnitz stated by holding the bidding until May – July, we will pretty well know what the budget will look like for school year 2011-12 with Mr. Beaulieu stating yes, that is correct.

Mr. Roy Peaden asked how much did Pitt County Schools budget for the Chicod sewer project with Mr. Beaulieu responding \$1.3 million – which may be offset by grant money we have been fortunate to receive. Ms. Bryan again stated we have applied for more grant money, but the answer will not be given until a later date.

Commissioner Melvin McLawhorn asked questions regarding Sadie Saulter with Mr. Beaulieu explaining a drawing of what programs the new facility will house and where the new twenty plus classrooms will be constructed. Commissioner Eugene Smith asked about the students placed in this school with Mr. Beaulieu responding that exception children from ECVC and the pre-K program from the Third Street Center will be housed in the facility. Mr. Smith stated these children will not be mainstreamed as

he thought was the rule of education today. Superintendent Beverly Reep commented that by law we have to serve exceptional children beginning at age three; and to accomplish the mainstreaming he mentioned, the More-at-Four Program, which is more the traditional pre-K program, is blended with the exceptional pre-K children. Dr. Reep stated even the two budgets involved are blended to try to serve more children. She stated currently there are 150 children waiting to be served by More-at-Four, but we have no space to serve them. If funding is not reduced as lottery money serves this program too, we can apply for more funding and serve more children to give them a better start in education with the additional space at Sadie Saulter. Mr. James stated he wants to help more children so they will not be behind, and Dr. Reep explained that when they enter the regular K-12 programs, students are mainstreamed in classes.

Commissioner Betty Ward asked about criteria to get into these programs. Superintendent Reep stated there are two programs being discussed. She explained if she is EC pre-K, then she has been by Federal standards identified as having some sort of disability; while the More-at-Four pre-K is more of a socioeconomic factor involvement. Ms. Ward stated this helped everyone understand that these children are indeed blended and will not all go into exceptional classes when they start kindergarten.

Mr. Jimmy Garris stated the Sadie Saulter Project will vacate the Third Street Building, and asked what plans have been made for the building. His question is can the building be sold to help support some of the other projects discussed. Mr. Beaulieu stated an appraisal had been done of the building, but because of the \$3 million worth of maintenance that needs to be done for a school facility, it came back with a negative value for the school district. He stated the land would be very valuable and the City of Greenville actually had an environmental group from Raleigh come in last week who will do a presentation at a later date. Mr. Beaulieu stated lots of non-profit interest has been shown, but we try to be very upfront with anyone showing interest in the building regarding the utility cost, roof replacement, heating and air needs, etc. In answer to the question, Mr. Beaulieu stated yes. If there is a profit from this facility or land, it can be used to support other projects mention.

Mr. Beaulieu then shared a drawing of the ECVC building and discussed all the space rented by Pitt County Schools for the EC ALPHA Program, EC central office staff and classrooms. ECVC has moved into another building and has placed the current facility we rent on the market to be sold. We have approximately 80 individuals and 15 classrooms that would have to be moved if ECVC told us tomorrow we need to get out.

Mr. Beaulieu stated Sadie Saulter is a very well maintained school, and we would do the system an injustice not to maintain this school in our inventory. Upon showing pictures of the present facility, he commented that is very viable for meeting our needs.

Mr. Beaulieu then showed a drawing of the future Chicod School with it being turned facing a side road and not having the traffic build up on Highway 43, which could be "an accident waiting to happen". He discussed new additions, renovations and expansions of older buildings, purchasing land to make circular traffic around the building, moving the ball field and other changes to make this a fabulous project once completed. A modular unit will be brought in to help house the students during this process as this will be a very challenging operational project while construction is carried out.

In closing, Mr. Beaulieu stated when the Long Range Facility Plan was being pieced together, there were \$247 million systemwide needs identified. He commented that we have been fortunate to have construction completed and on-going as has been

described tonight, but we have many tasks ahead that will be dependent on unforeseen variables and economic issues.

In asking for further questions, Chair Kenneth Ross asked Mr. Beaulieu to not “sell Chicod short”. He stated a lot of subdivisions were being built in the area and he is not sure a school for 1,000 students will cover the need. Mr. Ross stated he wants to be sure the Board of Education does not make the school too small for the growing community.

Board member Roy Peaden also emphasized that the schools we’re building are designed to add on to rather than requiring another school be built one-half mile away. He feels we should be adding onto our existing schools rather than building more new schools.

Board member Dick Tolmie stated we all need to work with our legislators so we don’t get to the point where we can’t do anything or end up in Mr. Cowin’s Scenario II as described.

Commissioner Melvin McLawhorn asked what is the projected number of students and staff who will be housed in Sadie Saulter once the project is complete. Mr. Beaulieu stated there will be approximately 100 plus total staff members and 350 students in pre-K and ALPHA classrooms. Ms. Ward stated some of the staff will be psychologists, itinerant teachers who will be in different schools, central office exceptional children staff – not all will be instructional teachers.

Commissioner Tom Johnson stated he wanted everyone to clearly understand that staying in Third Street is not an option – financially it is not an option, and he does not want us to fall back on saying we can stay at the Third Street Center. Again, he stated we cannot afford to stay at Third Street.

Mr. Roy Peaden stated whatever contact we need to make to get commitments, we need to make it before November 2.

Superintendent Beverly Reep commented that we want to be sure both these bodies are in support or consensus of the Sadie Saulter Project moving forward because of zero interest, the short time frame and the fact that it’s an affordable option. We also would like support of us holding off the March bids for Chicod until we get the long legislative session complete and move the bid back until the summer. These are our hopes from tonight as we meet as a group, that these projects will have everyone’s support as stated. It was confirmed that the Sadie Saulter Project has been approved but the bids for construction will be brought before both Boards at the October 4 meetings for official acceptance.

Board member Jennifer Little did express that at the Sadie Saulter community meeting held earlier this year, which past Board member Michael Dixon facilitated, the Board was overwhelmed with acceptance of the changes planned for Sadie Saulter and saw the community embrace the changes as explained. Commissioner Melvin McLawhorn stated he was born and raised in the area, and his mother still lives around the corner from the school, He stated the school is dear to him, and he wants to see viable programs there. At one point, Mr. McLawhorn stated there was talk of tearing the school down and he and Mr. Michael Dixon had lengthy discussions regarding this.

Ms. Ward stated she thinks the Board of Education has the consensus from the County Commissioners and also discussed being proactive as a group of people in speaking with our legislators to be more effective instead of individual contacts or e-mails. Dr.

Reep stated there are still a lot of folks around who worked hard in helping to get the ¼ cent sales tax passed – business folks, community college supporters and others, and possibly we could pull a group together in this endeavor. Board member Jill Camnitz stated the Boards will be united in the presentation, as well as the Pitt Community College Board added Ms. Ward.

Chairman Ross thanked Superintendent Reep for preparations made and presented tonight and for keeping the County Commissioners updated on what is going on. He also thanked Chair Mary Grace Bright and the Board of Education for their attendance and all the discussion and information provided. Chair Mary Grace Bright likewise thanked the Commissioners for their willingness to meet and being able to talk about the proposed construction projects for the children of Pitt County.

County Commissioner Chairman Kenneth Ross motioned, second by Mr. Eugene James, to adjourn the meeting at 7:20 p.m. Motion was unanimously passed. Board of Education member Roy Peaden motioned, second by Mr. Dick Tolmie, that the meeting be adjourned with a unanimous vote by all.

Respectfully submitted,

Ms. Mary Grace L Bright, Chair

Dr. Beverly B. Reep, Superintendent