

CUMBERLAND COUNTY FINANCE COMMITTEE  
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564  
AUGUST 4, 2011 - 9:30AM  
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth, Finance Committee Chair  
Commissioner Jeannette Council

MEMBERS ABSENT: Commissioner Billy King

OTHER COMMISSIONERS ATTENDING: Commissioner Kenneth Edge  
Commissioner Jimmy Keefe

OTHERS: James Martin, County Manager  
Amy Cannon, Deputy County Manager  
James Lawson, Assistant County Manager  
Howard Abner, Assistant Finance Director  
Dena Dail, Financial Manager  
Sally Shutt, Communications Manager  
Kristoff Bauer, City of Fayetteville Assistant City Manager  
Michael Gibson, Parks and Recreation Director  
Doug Carter, DEC Associates, Inc.  
Jeremy Carter, DEC Associates, Inc.  
Candice H. White, Clerk to the Board

Commissioner Faircloth called the meeting to order at 9:30 am.

1. APPROVAL OF MINUTES – JUNE 2, 2011 REGULAR MEETING

MOTION: Commissioner Faircloth moved to approve the minutes.  
SECOND: Commissioner Council  
VOTE: UNANIMOUS (2-0)

2. PRESENTATION ON PROPOSED INVESTMENT AGREEMENT FOR 2011 QSCB SINKING FUND DEPOSIT BY OUR FINANCIAL ADVISOR, DEC ASSOCIATES, INC.

Commissioner Faircloth called on Amy Cannon, Deputy County Manager, who introduced Dena Dail, the new Financial Manager.

As background prior to the presentation, Ms. Cannon explained the financial services provided by DEC Associates, Inc. were secured through a Request for Qualifications (RFQ) process that was issued when the county was about to borrow funds for three major capital projects. Ms. Cannon stated the county has saved \$17 million through financial services provided by DEC Associates, Inc., and should the Finance Committee and the full Board embrace the potential savings opportunity DEC Associates, Inc. is bringing forward at this time, this could bring savings to the debt program of \$20 million over a two-year period.

Ms. Cannon introduced and called on Doug Carter and Jeremy Carter of DEC Associates, Inc., to share the investment strategy for the Qualified School Construction Bonds (QSCB). Mr. D. Carter stated last year Cumberland was one of five North Carolina counties granted approximately \$15 million to be issued in QSCBs. Mr. D. Carter explained QSCB bonds are taxable bonds for which the federal government pays a supplement. Mr. D. Carter stated based on that supplement, the county achieved an interest rate of .61%, which is the difference between the taxable interest rate and what the federal government will rebate to the county. Mr. D. Carter explained these bonds are structured such that every year the county will place a principal amount inside an escrow fund that will accumulate for fifteen years and then the bonds will all be paid at one time. Mr. D. Carter also explained the county charged DEC Associates, Inc. with the responsibility of lowering costs to the county for its debt and finding the safest level of investment through which to do so.

Mr. J. Carter explained the federal government allows the county to invest its annual principal payment of \$987,000 in a sinking fund. Mr. J. Carter provided a chart indicating sinking fund payments, the cumulative sinking fund and the investment earnings over a fifteen-year period. Mr. J. Carter explained how this will reduce the amount the county must budget each year to pay for the projects, therefore bringing down the total cost of borrowing. Mr. D. Carter stated the more interest the county earns, the lower the payment will be each year.

Mr. J. Carter stated there are only four allowable options under the North Carolina General Statutes (NCGS) applicable to the safe investment of public funds. Mr. J. Carter further stated DEC Associates, Inc.'s recommendation is that the county move forward with banking instruments collateralized by US Treasuries and Agencies or Option 4, the investment agreement.

Mr. J. Carter advised everything that will transpire will be reviewed by the county attorney and bond counsel to confirm compliance with NCGS. Mr. J. Carter further advised bond counsel has already signed off on the investment agreement being proposed and the opportunity has been discussed with the Local Government Commission (LGC), and although the Commission does not have to approve the investment agreement, they have no opposition to it. Mr. J. Carter stated federal arbitrage regulations require a competitive bidding process for investment agreements to insure the best possible rate for the county, and DEC Associates, Inc. is suggesting that Municipal Government Investor Corporation (MGIC) serve as the county's independent bidding agent. Mr. J. Carter also stated no additional LGC approvals are required.

Mr. J. Carter explained the investment agreement will be a contract between the county and a bank whereby the bank will agree to invest a schedule of deposits at a certain fixed rate for a specific term, or sell a series of securities at a pre-agreed fixed yield to accomplish the same goal. Mr. J. Carter further explained in the case of the county's 2011-A QSCB sinking fund, the annual \$987,000 deposit will be invested at a predetermined rate at each deposit date for the remaining fifteen-year term. Mr. J. Carter reviewed the design and bidding process that county staff, bond counsel and the financial advisor will work on in conjunction with MGIC. Mr. J. Carter stated if market conditions deteriorate, a decision can be made to reject the bids and re-evaluate the county's alternatives, or the documents can be formalized and a closing date can be determined.

Mr. J. Carter reviewed the risks and rewards associated with the investment agreement. Given market conditions on July 29, 2011, the county would save approximately \$213,000 per year for a total savings of over \$3,194,000. Questions and discussion followed.

Ms. Cannon stated should it have the support of the Finance Committee, the recommendation would be to set a date to move into the market and then take to the full board on August 15, 2011. Commissioner Faircloth stated he was not comfortable with a committee of two setting a date to move into the market. Ms. Cannon stated the recommendation could then be to forward to the full board on August 15, 2011 for a presentation and let the board consider whether or not to move forward with the guaranteed investment contract.

MOTION: Commissioner Council moved to follow the recommendation and forward the information to the full board.  
SECOND: Commissioner Faircloth  
VOTE: UNANIMOUS (2-0)

3. PRESENTATION ON THE PROPOSED PARKS AND RECREATION BOND ISSUE  
BY MICHAEL GIBSON, PARKS AND RECREATION DIRECTOR

Commissioner Faircloth introduced Michael Gibson, Parks and Recreation Director, who provided a presentation as an update on the bond proposal. Mr. Gibson stated the projects have been broken down into three types: 1) stand alone city-funded projects; 2) stand alone county-funded projects; and 3) city and county jointly funded projects. Mr. Gibson outlined the projects as follows:

Stand alone city projects:

Neighborhood Family Aquatic Centers  
Splash Pad  
Neighborhood / Community Parks  
Existing Parks and Building Renovation  
Greenways Acquisition and Development  
Park Land Acquisition

Stand alone county projects:

East Regional Recreation Center  
Community Aquatic Center  
Splash Pads

City and county jointly funded projects:

Multipurpose Aquatic Center with Senior Center  
Neighborhood Family Aquatic Center  
Crystal Springs Recreation Center  
Tennis Center  
Sports Complex  
River Park  
Multicultural Performing Arts Center  
Skateboard Park  
Neighborhood / Community Parks  
Existing Parks and Building Renovation  
Greenways Acquisition and Development  
Park Land Acquisition

Mr. Gibson emphasized that the proposal is not complete and is intended as an update only. Mr. Gibson stated his presentation will focus on the following three projects: 1) the multipurpose aquatic center with the senior center; 2) the neighborhood family aquatic centers; and 3) the community aquatic center. Mr. Gibson further stated the presentation will provide the same information for all three projects; how the projects were evaluated and justified, how they will be operated, how they will be funded, operating costs, and revenue generation.

Mr. Gibson called attention to the project goal and project scope for the multipurpose aquatic center:

**Project Goal:**

To construct an approximate 120,000 – 140,000 sq ft facility that will consist of a senior center, aquatic center, fitness center, field house with an indoor track and community spaces. The multipurpose aquatic center with senior center will provide a large indoor multipurpose facility located in an area that is easily accessible and close to the geographical center of Fayetteville/Cumberland County. Additional opportunities provided would be:

- Enhance the quality of life by providing a broad range of senior, aquatic, track, and other programs and activities that promote fitness, social interaction, recreation and wellness for participants of all ages and abilities
- Create an environment and design that is inviting, warm and inclusive
- Draw a broad spectrum of residents to participate in these activities
- Provide a facility that is financially feasible and can generate substantial revenue to offset operating costs
- Develop financial and programming partnerships with public and private providers that share the values and goals of community recreation, health and wellness
- Provide maximum flexibility and multiple use through design and programming that adapts to changing interests and needs

**Project Scope:**

The multipurpose facility will include three major spaces, each of which could operate independently as a stand-alone facility. There are also additional smaller areas. The senior center will provide a separate entrance for its participants, but will be connected to other parts of the building by a large atrium featuring an indoor café, apparel shop, and lobby with an information desk. The multipurpose aquatic center with senior center will provide a variety of recreation for all ages and abilities including activities specifically designed for seniors; water activities; running and fitness programs; and common areas. This facility will include the following:

- Senior Center
  - Approximately 18,000 sq ft
  - Will house current FCPR senior staff and all current programming to include:
    - A lobby with reception desk / Office space for staff / Restrooms / Library/computer room / Conference room / Game room / Art room / Dance studio / Health education, preventative and nutritional services /
    - Video/theatre room
- Aquatic Center
  - Approximately 35,000 sq ft for the following aquatics spaces:
    - An 8 lane lap pool with 0 entry depth / Recreation pool with play structures / Spectator seating

- Fitness Room
- Approximately 5,000 sq ft fully outfitted with exercise equipment
- Field House
- Approximately 58,000 sq ft to include:
- 200 meter, 6-lane indoor running track / Multipurpose floor for tennis, indoor soccer, gymnastics or wrestling / Spectator seating
- Community Spaces
- Approximately 28,500 sq ft of space to include Lobby / Caterer's kitchen / Special events area / Meeting room / Banquet hall / Indoor café / Studio space / Wellness center

Mr. Gibson displayed a service area map for the entire Cumberland County area and a prototype plan for the multipurpose aquatic center with senior center. Mr. Gibson stated municipal service areas, or areas sitting on the county lines, were also included because residents in those areas utilize county and municipal services. Mr. Gibson provided demographics from the 2010 census for age groups, households and income; probable operating costs; fee assumptions for residents and non-residents; revenue potential; and the cost recovery potential. Mr. Gibson also provided itemized back-up data for the demographics.

Mr. Gibson clarified that the 3 cent per \$100 valuation being discussed is for construction only, and after construction is completed, the belief is that the operation of these three projects will be self-sustaining. Mr. Gibson stated Cumberland County is the fourth largest school district in the state and an important component of developing partnerships could include the Cumberland County Schools. Commissioner Council asked that teenagers be included in the plans because she is hearing from them that they have no where to go.

Mr. Gibson called attention to the project goal and project scope for the outdoor aquatic facilities or neighborhood/community pools:

**Project Goal:**

To construct four neighborhood and one community aquatic center that will provide a fitness/competition pool, a leisure pool and amenities at each location. The neighborhood and community aquatic centers would be strategically located to supplement the Parks and Recreation Department's only pool; the neighborhood center will serve an approximate 6 mile service radius while the community aquatic center will encompass an area of approximately 20 service miles. The aquatic centers will provide much-needed water-related recreation activities for all ages and activity levels as well as provide a location for water enthusiasts to pursue fitness, classes and training in a safe and secure environment. Additional benefits will include:

- Enhancing the quality of life by providing a broad range of water-based programs and activities that promote fitness, social interaction, recreation and wellness for participants of all ages and abilities
- Creating an environment and design that is inviting, warm and inclusive
- Drawing a broad spectrum of residents to participate in these activities
- Providing a facility that is financially feasible and can generate revenue to offset operating costs
- Developing financial and programming partnerships with public and private providers that share the values and goals of community recreation, health and wellness
- Providing maximum flexibility and multiple use through design and programming that adapts to changing interests and needs

- Promoting positive development of children through family activities
- Providing facilities located a reasonable distance from a citizens' home

Project Scope:

This project will provide five pools: three community pools in the city; one facility which straddles the city and county line, and one larger facility in the unincorporated area of the county. These are seasonal outdoor facilities that will provide a variety of water-based recreation; the neighborhood centers include the following:

- 8 lane, 25 yard lap pool
- 15' deck
- 9,200 sf leisure pool with 0 beach entry
- 700 sf pool with slide and play features
- Bath house with locker rooms and two (2) family changing rooms
- Shade structures
- Snack bar

The Community Aquatic Center will provide:

- 8 lane, 50 yard lap pool
- 15' deck with 600 spectator seating
- 13,300 sf leisure pool with 0 beach entry
- 2,000 sf tot/spray pool with slide and play features
- Group pavilion
- Bath house with locker rooms and two family changing rooms
- Shade structures
- Snack bar

Mr. Gibson stated the proposed locations for the pools are:

College Lakes Recreation Center area  
Stoney Point Recreation Center area

Westover Recreation Center area  
Crystal Springs Recreation Center area  
(½ city and ½ county)

Mr. Gibson displayed a map of the neighborhood aquatic center service areas and vicinity maps, and aquatic center prototypes. Mr. Gibson explained maximum distances that residents within the city limits/urban areas and the districts would be from the recreation facilities. Mr. Gibson also explained that splash pads in neighborhood parks could be used by residents who are unable to travel to major aquatic centers.

Mr. Gibson provided demographics from the 2010 census for age groups, households and income; probable operating costs; fee assumptions for residents and non-residents; revenue potential; and the cost recovery potential. Mr. Gibson also provided financial back-up data and shared a sample of comments gathered from community drop-in sessions.

Commissioner Faircloth introduced Kristoff Bauer, City of Fayetteville Assistant City Manager, who stated the type of analysis just presented is being put together for all fifteen projects, and it is important to understand that while these projects have significant revenue generation, other projects will not pay for themselves. Mr. Bauer emphasized it will be important that both sides

of the equation are understood when it comes to the bottom line analysis. Mr. Bauer stated the analyses for the remaining projects should be available in about six (6) weeks.

Commissioner Edge asked whether land costs for the facilities had been factored in. Mr. Gibson stated the project scope contained \$2 million on the city side and \$2 million on the county side for land acquisition in anticipation that some property would have to be purchased out of the \$76 million. Mr. Gibson also stated the school system has started to have conversations regarding property they own that may be available. Commissioner Keefe asked whether the topic of Board of Education funding had been broached. Mr. Gibson confirmed that the topic had been broached.

Commissioner Edge asked how the 3 cent property tax was estimated. Mr. Gibson stated it was his estimate based on the need for \$76 million. Mr. Gibson also stated the figures for construction costs had not been presented at this meeting because they have been sent back for further review.

Mr. Bauer explained the 3 cent property tax was the worse case scenario and was based on a fairly high interest rate. Mr. Bauer stated actually the estimate comes down to 2.72 or 2.73 under those assumptions. Mr. Bauer further explained that the projects will be built over a period of time and were costs to come down, it is anticipated that the impact will also come down. Mr. Bauer also explained that growth for tax dollars had not been factored into the current estimate. Mr. Bauer confirmed for Mr. Martin that the current estimate was based on revenues from the city of Fayetteville and the districts. Mr. Bauer stated 33% of the revenue generated will be in the district and 66% of the revenue will be generated in the city of Fayetteville. Questions followed. Commissioner Council stated there were further details, to include smaller details and financing, that needed to be worked out. Commissioner Faircloth asked that all commissioners receive a copy of the bond proposal update as presented.

4. REPORT ON \$4.28 MILLION SAVINGS ACHIEVED THROUGH BOND REFINANCINGS DURING JULY 2011

Ms. Cannon advised the report was for information only and that a public announcement was scheduled to go out regarding the series of refinancings that had resulted in a total savings of \$4.28 million for the county.

5. REVIEW OF MONTHLY FINANCIAL REPORT

Members of the Finance Committee received the report.

6. OTHER MATTERS OF BUSINESS

There were no further matters of business.

There being no further business, the meeting adjourned at 10:50 AM.