

October 5, 2006

At a called joint meeting of the Prince Edward County Board of Supervisors and School Board, held in the 3<sup>rd</sup> Floor Conference Room of the Court House, on Thursday, the 5<sup>th</sup> day of October, 2006, at 4:30 p.m., there were present:

Board of Supervisors

William G. Fore, Jr., Chairman  
Howard F. Simpson, Vice-Chairman  
Pattie Cooper-Jones  
Sally W. Gilfillan  
Robert M. Jones  
Charles W. McKay  
James C. Moore  
Lacy B. Ward

School Board

Russell L. Dove, Chairman  
Herbert N. Doswell, Jr.  
Linda Leatherwood  
Patsy G. Pelland  
Ellery Sedgwick  
Thomas M. Tillerson

Also present: Dr. Patricia Watkins, Division Superintendent; Mrs. Amy Eberly, Prince Edward County Schools Director of Finance; Mr. Richard Goode, Prince Edward County Schools Director of Support Services; and Mrs. Sarah Puckett, Assistant County Administrator.

Absent: Mrs. Susan Lawman, Vice-Chairman of the Prince Edward County School Board; Dr. Lawrence C. Varner, School Board member; and Mrs. Mildred B. Hampton, County Administrator.

Chairman Fore called the Board of Supervisors to order as a reconvened meeting from September 27, 2006.

The purpose of the meeting was to discuss the pending Qualified Zone Academy Bond (QZAB) and its anticipated projects. Chairman Dove called the School Board to order.

In Re: Qualified Zone Academy Bond

The School Board presented the following revised list of projects proposed for the second QZAB

Bond:

- |    |   |           |                      |
|----|---|-----------|----------------------|
| 1. | Install 2 HVAC units at PECMS   | \$205,000 |                      |
| 2. | Repair Roof at PECMS  | \$20,000  |                      |
| 3. | Upgrade Panel Boxes & Light Switches,<br>Install New Exit Lights at PECES | \$16,000  |                      |
| 4. | Add Interior Walls in Bldg. E<br>Classrooms at PECES                      | \$0       | Note: Moved to 05-06 |
| 5. | Replace Steamer in PECHS Cafeteria<br>Kitchen                             | \$22,313  |                      |

6.	Upgrade HVAC Systems at All Schools Replace hardware inside control boxes at each school; Upgrade all valves and sensors at each school; Upgrade computer software to run entire system	\$25,000	Note: Spend \$50,000 in 05-06
7.	Install AC Units in PECES & PECHS Cafeterias	\$70,000	
8.	Install Tile in 12 Classrooms at PECMS	\$0	Note: Cost was \$40,000
9.	Replace Tile in PECHS Cafeteria & Teachers' Lounge	\$0	Note: Original Cost \$16,000 (Won't do)
10.	Additional Sidewalks at PECES	\$0	Note: Moved to 05-06
11.	Upgrade Lights at Football/Baseball Field	\$15,000	Note: Repair & Realign <b>Only</b>
12.	Music Equipment, Furniture, & Uniforms	\$50,000	Note: Reduced \$56,000
13.	Replace Fencing Around Football/Baseball Field	\$0	Note: Original Cost \$65,000 (Won't do)
14.	Install Security Systems PECHS CTC Rekey Elementary School	\$58,523 * \$29,041 * \$0	Note: Homeland Security Funding \$10,000 Note: Done in 05-06
15.	Repave/Seal All Parking Lots	\$0	Note: Won't do in 06-07
16.	Redo Lighting on Stage in PECHS Auditorium	\$0	Note: Cost was \$75,000
17.	Redo Sound System in PECHS Auditorium	\$2,500	
18.	Renovate Field House & Concession Stand	\$10,000	Note: Minor/Cosmetic repairs only
19.	All Equipment from regular budget School Department Budgets Principal Budgets Library Budgets	\$26,420 * \$49,000 * \$5,620 *	
20.	Resurface Track	\$14,105	Note: Redo is \$52,535 (difference is \$38,430)
21.	Replace Water Pipes at High School	\$59,130	
22.	Costs of Bond Issuance	\$50,000 *	
23.	Security Cameras for Bus Lot	\$25,000	Estimated cost
24.	Security Cameras for 20 Buses	\$30,000	Estimated cost
25.	Reserve for Capital projects	\$172,177 *	<i>Change Orders &amp; Higher Costs</i>

26.	Fixtures & Finishing in Bathrooms	\$45,171
	<b>Grand Total</b>	<b>\$1,000,000</b>

\* Priorities/Need Funding

Chairman Fore noted that items 1 through 18 (totaling \$523,377) were on the original list presented to the Board of Supervisors in the Spring of 2006. Items 19 through 26 were new.

During discussion, Board members questioned the status of the bathroom addition for the elementary school. Dr. Watkins advised that bids would be opened October 17<sup>th</sup>, and thus far seven contractors had requested copies of the engineering plans from the architect.

Board members were reminded that the bathroom addition was a separate issue. Chairman Fore advised that pursuant to earlier action (August 21, 2006), the Board of Supervisors will make a decision on whether it wishes to front monies for the bathrooms based on the bids received.

Supervisor Simpson asked how the School Board had arrived at the costs for the proposed projects. He was told that the estimates were based on figures provided by contractors and current vendors. All projects must be bid prior to the work being done.

Mrs. Puckett called attention to a letter in the agenda packet concerning the status of QZAB funding. The letter was from Mr. Arthur E. Anderson, of McGuireWoods, and read:

“This letter is in response to your recent request for advice on the status of pending federal legislation regarding qualified zone academy bonds (“QZABs”) and its potential effect on the \$1,000,000 QZAB issue under consideration by the Board of Supervisors and School Board of Prince Edward County. The proposed Prince Edward QZABs would be issued based on a portion of Virginia’s unused calendar year 2005 allocation, which was carried forward for use either in 2006 or 2007.

The federal QZAB program was scheduled to expire at the end of calendar year 2005. This means that no new QZAB allocations to the states would be available for calendar year 2006 and later years absent Congressional action to extend the program. This situation has occurred a number of times since the QZAB program was instituted in 1997 and would normally have presented little risk to QZABs issued under prior year carry-forward allocations. However, earlier this year the US Senate coupled its approval of an extension of the QZAB program with the imposition of some draconian restrictions applicable not only to QZABs issued under 2006 and later calendar year allocations, but also on those issued under 2004 and 2005 carry-forward allocations. The restrictions the Senate attempted to impose would have drained almost all of the benefits from QZABs.

Up until mid-summer of 2006 the US House of Representatives had resisted the Senate approach and passed “clean” extension of the QZAB program. However, on July 29, 2006, the House compromised with the Senate and passed H.R. 5970, which would have extended the QZAB program through 2007 and imposed two of the restrictions sought by

the Senate: (i) arbitrage yield restriction and rebate requirements on QZAB proceeds and (ii) a requirement that any QZAB proceeds remaining unspent after five years be used to redeem the QZABs. Although less onerous in scope than the earlier Senate proposals, these requirements would present a real problem for communities like Prince Edward County. Fortunately, H.R. 5970 also contained a grandfather provision exempting from the new rules QZABs issued under 2004 and 2005 carry-forward allocations.

In early August a majority of the Senate approved legislation containing a QZAB extension provision identical to the one in H.R. 5970. However, the bill to which the legislation was attached failed to garner enough votes to avoid a filibuster. So the QZAB extension awaits further action in Congress. However, since the Senate vote we have heard from two banks that they are willing to purchase QZABs issued under 2004 and 2005 allocations. The banks believe that the House/Senate compromise on QZABs will stand. We reached out to certain House Ways and Means Committee staffers and they have confirmed what the banks have said. We have also learned that Congress may not be able to find a vehicle to carry the QZAB extension provision for the rest of this year, which would be the best result for Prince Edward County's \$1,000,000 QZAB.

The risk to Prince Edward County of issuing the proposed \$1,000,000 QZAB is that the House-Senate compromise will not hold and that the H.R. 5970 restrictions or something worse will become law with retroactive application. However, although it is not a certainty that the House-Senate compromise approach will prevail, we agree with the banks that it is highly likely to do so."

As stated in Mr. Anderson's letter, the second QZAB will be issued based on an unused 2005 allocation. Although there is a risk that Congress may retroactively change legislation involving allocations of previous years, Mrs. Puckett advised that the latest predictions indicate the second QZAB will be issued under the same conditions as the first (0% interest). To further the point, she noted there was one, possibly two, banks willing to consider issuing the loan. The worst-case scenario would be if Congress enacted legislation that would retroactively remove the tax benefits of the program. If that were to happen, the terms of the borrowing could change.

It was also noted that if the Board were to decide to move forward with the QZAB, the best measure of risks would be to evaluate the loan documents to determine what provisions were being offered by the bank to offset any future Congressional action.

After some further discussion, the Chairman recapped that the Board was faced with two financial decisions: 1) the elementary school bathroom addition, and 2) the \$1 million QZAB bond. It was agreed that the Board of Supervisors would take no action until after the School Board receives the bids on the bathroom project. In the meantime, the Assistant County Administrator will assemble information on the terms lending institutions are willing to offer for the QZAB. The Board of Supervisors and School Board will meet again to discuss these matters on a date to be determined.

On motion of Mr. McKay and adopted by the following vote:

Aye:	William G. Fore, Jr. Pattie Cooper-Jones Sally W. Gilfillan Robert M. Jones Charles W. McKay James C. Moore Howard F. Simpson Lacy B. Ward	Nay:	None
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the meeting was recessed at 5:18 p.m., and will reconvene October 10, 2006, at 4:30 p.m., for a work session on the Six-Year Plan.