

July 9, 2019

At the special meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 9th day of July, 2019; at 5:00 p.m., there were present:

Pattie Cooper-Jones

J. David Emert

Llew W. Gilliam, Jr.

Robert M. Jones

Odessa H. Pride

Gene A. Southall

Jerry R. Townsend

James R. Wilck

Also present: Wade Bartlett, County Administrator; Sarah Elam Puckett, Assistant County Administrator; and Jimmy Sanderson, Senior Vice President, Davenport & Company.

Chairman Wilck called the special meeting to order.

In Re: Work Session with County Financial Advisor

Mr. Bartlett presented his recommendation to the Board of Supervisors:

I am recommending the County borrow \$7M to help pay for the costs of the three capital projects. My recommended term of the borrowing depends on the decision regarding the EMS funding and its impact on the County's finances. My goal would be to structure the borrowing to minimize the need to increase tax rates to generate funds to pay the debt service. If the impact of the EMS decision is not significant (less than \$100,000 annually) on the County's finances I would recommend a 10-year term. This could be achieved by either (1) obtaining assistance from outside partners/funding that is sustainable for the long-term or (2) Creating the service district and levy a tax to provide long-term funding for EMS. Absent such an outcome I would recommend a 15-year term.

Also, of concern are the on-going costs, particularly the medical costs, associated with the Regional Jail. The staff at the jail has done an excellent job increasing the number of Federal and non-member Virginia inmates which has offset this expense. But these outside agencies could decrease the number of inmates they are sending us at any time or our member localities could have an increased need for bed space limiting the number of outside inmates thereby decreasing revenues. Also, over the last couple of years the Jail has consistently had a significant number of personnel vacancies. This has helped keep the costs down but is straining the existing employees. The Jail is actively recruiting, and I cannot guarantee the vacancy savings will continue. The point is, if either the number of outside inmates decrease; or our vacancies are filled, the County's cost would exceed the amount budgeted by as much as several hundred of thousands of dollars and impact the need to increase the tax levy.

I estimate the County's Fund Balance will decrease by approximately \$410,000 to \$12,400,000 in FY2019. This will be a very good outcome since we have spent \$2.2M to date on the various projects. There is an additional \$8.5M that must be spent over the next year. Some of these costs could be allocated back to FY2019 depending on the information on the invoices. But that would reduce the expenses in FY2020 leaving the County in the same position at the end of FY2020. Borrowing \$7M with expenses of \$8.5M will decrease the Fund Balance to approximately \$11M at the end of FY2020. That would mean our fund balance as a percent of General Fund revenues would fall from 50.3% to approximately 43%. That ratio would be slightly greater than the Virginia median for Counties and leave funds available for any emergencies and cover the County's cashflow requirements.

Based on historical trends and subtracting the project expenses the County's cash balance would hit a low point of around \$9.5M in October of 2019. Subtracting \$1.5M from that would leave the County with approximately \$8M in cash and would be in-line with the average over the last ten years. With the uncertainty concerning the cost of the Jail and EMS and maintaining our aging infrastructure, especially the schools, I would not recommend we lower our cash reserves below that amount.

Borrowing \$7M for 10 years at a rate of 3.25% would result in an annual debt service of \$808,663 and a total cost of \$8,284,678. A 15-year term at 3.5% would result in annual debt service of \$577,827 and a total cost of \$8,868,862.

It appears the temporary personal property tax revenue this December from equipment associated with the ACP will provide enough revenue to eliminate most if not all of the deficit shown in Davenport's presentation for 2020 and 2021 under a 10-year term and part of 2022 under a 15-year term. I am not assuming this temporary revenue stream will occur in 2020 since the ACP project is halted and can only be resumed with a favorable ruling from the United States Supreme Court.

The Chart below displays the revenue required to pay the additional debt service from this borrowing for both a 10- and 15-year term after accounting for decreases in our existing debt schedule. I do not show the payments required in 2020 or 2021 since those would be made from the temporary revenue mentioned above. Also, I did not show the last 5 years of payments for the 15-year term because an existing debt will be paid off creating an additional \$1M in available revenue.

The attached spreadsheet shows the annual revenue growth rate in the County's major revenue streams both over a 20 year and 3-year period and the amount of revenue that would be generated under the various rates. The amounts in bold are the revenue growth rates I feel are sustainable for each revenue stream. Explanations are provided in the Notes. Based on the data, I believe we can safely assume revenue growth of \$345,450 for each fiscal year. Using the temporary revenue mentioned above for Fiscal Years 2020 and 2021 would mean normal revenue growth for those two years would generate \$690,900 which would provide all but \$98,268 for the debt payment in FY2022, if the Board opts for the 10-year term. That amount could be covered by the use of the fund balance if necessary. This statement would only be correct if we can keep expenses flat to include transfers to the Schools and we do not experience decreases to our major revenue sources.

As stated above I would only recommend the 10-year term if the resolution to the EMS challenge does not require a significant revenue contribution. Based on my calculations the normal revenue growth should allow enough funds to make the increased debt payments in 2022 - 2024 but finances would be tighter than normal and any unforeseen events that either increase expenses or decrease revenues in a meaningful way on an on-going basis would require a tax increase at that time. After 2024 the decrease in the shortfall coupled with revenue growth will mitigate the impact of this borrowing on County finances.

Fiscal Year	10 Year Term Shortfall	15 Year Term Shortfall
2022	789,170	558,333
2023	683,045	452,208
2024	585,300	354,464
2025	364,353	133,517
2026	373,756	142,920

2027	382,078	151,242
2028	358,899	118,063
2029	356,669	125,833
2030	370,739	139,904

If (1) we are unable to receive significant assistance from our partners in funding the EMS needs and (2) the Board does not wish to create an EMS Service District and set a tax levy for that district and (3) the Board wants to minimize the chance of a future tax increase, the term should be set at 15 years.

This longer term will increase the total cost of the borrowing by about \$584,000 but would lower the annual debt service by \$230,836. If at a later date the County receives assistance from our partners in funding EMS, the difference in the debt service (\$230,836) could be set aside and after 10 years the County would have accumulated \$2,308,360. After 10 years the County payoff of the 15-year bond would be approximately \$2.7 million. The County could use the \$2.3 million to help in paying off the \$2.7 million. This strategy would cost about \$300,000 more in interest than the straight 10-year bond. Such a strategy would require a great deal of discipline to set these funds aside.

ANNUAL REVENUE GROWTH

REVENUE	BASE AMOUNT	20 YEAR AVERAGE	3 YEAR AVERAGE	1% GROWTH	2% GROWTH	3% GROWTH	4% GROWTH	5% GROWTH
Real Estate	\$7,800,000	5.04%	1.21%	\$ 78,000	\$ 156,000	\$234,000	\$ 312,000	\$ 390,000
Public Service	540,000	3.95%	1.76%	5,400	10,800	16,200	21,600	27,000
Personal Property	4,300,000	3.84%	5.32%	43,000	86,000	129,000	172,000	215,000
Merchants Capital	380,000	2.26%	1.58%	3,800	7,600	11,400	15,200	19,000
Penalties	170,000	4.985%	1.57%	1,700	3,400	5,100	6,800	8,500
Interest	135,000	9.97%	3.31%	1,350	2,700	4,050	5,400	6,750
Decal	480,000	4.99%	2.36%	4,800	9,600	14,400	19,200	24,000
Sales Tax	3,000,000	2.29%	2.61%	30,000	60,000	90,000	120,000	150,000

Anticipated Annual Revenue Growth of Local Taxes = \$345,450

Notes

1. Amounts in bold are the predicted annual growth rates I used to arrive at \$345,450
2. Used 1% for Real Estate is conservative based on the 3 year average. Did not use the 20 year average because is impacted by reassessment.
3. Used 2% for PSC even though the 3 Year avg. is less – had a decrease in 2018 which was the first decrease since 2012 & that lowered the rate.
4. Used 4% for Personal Property to be conservative – as car prices rise the annual increase could accelerate.
5. Used 2% for penalty which is greater than 3 year Avg. because of more aggressive collection efforts. Will collect almost \$200,000 this FY
6. Used 3% for interest, will collect over \$270,000 this FY – is abnormally high due to first year of collection efforts
7. Used 2% for both Decals and Sales Tax to be conservative

Supervisor Jones said the one-year temporary windfall from the equipment would then take care of the first two years. Discussion followed.

Mr. Bartlett said it is known that the County will borrow, but the amount and the term must be determined. He said it will include a change order for the parking lot and furniture for Social Services, and for the DSS building.

Mr. Sanderson said the County doesn't want to spend down the cash balance to leave the County without a safety net. He said the Board must be aware what the County can afford comfortably with the debt service. He said there are some uncertainties and concerns about cash flow, that is where the term length figures in. He said the County can lock in at lower rates.

Chairman Wilck asked Mr. Sanderson for his recommendation.

Mr. Sanderson said he likes a cushion and flexibility and recommended a 15-year term. Discussion followed.

Mr. Bartlett said the 15-year term would put less strain on the County Board members. He said the hard times are going to be in year three and four.

Mr. Sanderson said from a local government perspective, a 15-year term is still a quick payoff; he said other localities use 20-25 years to pay down their debt. He said 70-75% of the current debt will be paid off over the next ten years.

Mr. Bartlett stated while the County has revenue growth, expenses increase also. He said inflation hasn't been great but that could pick up. There have been more pay increases in the last four years than in the previous eight years combined. He said pay increases are one of the largest increases, including the schools.

Mr. Sanderson said if the Board is comfortable with the \$7 million, there are other options. He said this will not put the County in a bind, but more than that would give concerns. He said the Board has already authorized the transaction; the Resolution will specify the term and amount that is being authorized to borrow.

Mr. Bartlett said it would mature in 2035 with an amount not to exceed \$7 million. He said items that are not included in the contract are paving, \$200,000; furniture, \$220,000; phone system, \$17,000, and Kinex will be contracted. He added that HVAC work was done at the STEPS Centre for \$15,000; there are some plumbing issues, \$10,000. Discussion followed.

Supervisor Townsend questioned the EMS mentioned in the Memorandum. Mr. Bartlett said the 15-year term would give about \$230,000 leeway. He said there is still a deficit over this but it can be covered by the extra Personal Property tax for a few years and then the Revenue.

Mr. Sanderson said the first payment would be due October 2019 and April 2020; the first principal payment would be October 2020. Discussion followed.

Mr. Sanderson said lines of credit work well when there is a higher interest rate environment because you are delaying when they are financed long-term. Lower interest rate environments are less because it will have to be taken out long-term and lock in the interest rate.

Mr. Sanderson stated borrowing smaller amounts, the costs of a transaction like this can eat into the economics of it, and it may be beneficial to just go to a bank.

Supervisor Cooper-Jones made a motion, seconded by Supervisor Pride, to approve the Resolution Supplementing a Prior Resolution Approving the Lease Financing of Various Capital Projects for the County and Authorizing the Leasing of Certain County-Owned Property, the Execution and Delivery of an Amended and Restated Prime Lease and a Local Acquisition and Amended and Restated Financing Lease, and Other Related Actions; the motion carried:

Aye:	Pattie Cooper-Jones	Nay:	None
	J. David Emert		
	Llew W. Gilliam, Jr.		
	Robert M. Jones		
	Odessa H. Pride		
	Gene A. Southall		
	Jerry R. Townsend		
	James R. Wilck		

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF PRINCE EDWARD, VIRGINIA SUPPLEMENTING A PRIOR RESOLUTION APPROVING THE LEASE FINANCING OF VARIOUS CAPITAL PROJECTS FOR THE COUNTY AND AUTHORIZING THE LEASING OF CERTAIN COUNTY-OWNED PROPERTY, THE EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED PRIME LEASE AND A LOCAL ACQUISITION AND AMENDED AND RESTATED FINANCING LEASE, AND OTHER RELATED ACTIONS

WHEREAS, on June 11, 2019, the Board of Supervisors of the County of Prince Edward, Virginia (the "Board") adopted a Resolution entitled "A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF PRINCE EDWARD, VIRGINIA APPROVING THE LEASE FINANCING OF VARIOUS CAPITAL PROJECTS FOR THE COUNTY AND AUTHORIZING THE LEASING OF CERTAIN COUNTY-OWNED PROPERTY, THE EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED PRIME LEASE AND A LOCAL ACQUISITION AND AMENDED AND RESTATED FINANCING LEASE, AND OTHER RELATED ACTIONS" (the "Prior Resolution");

WHEREAS, the Board intends to supplement the Prior Resolution to update the terms of paragraph 4 of the Prior Resolution entitled "Approval of the Terms of the Rental Payments";

WHEREAS, pursuant to the Prior Resolution, the Board intends (i) to finance all or a portion of the costs (or to reimburse the County of Prince Edward, Virginia (the "County") for payment of such costs) of various capital improvements, including the construction of a new social services facility and the renovation of the County's courthouse facilities (the "Projects") and (ii) to pay costs of issuance associated therewith;

WHEREAS, the Virginia Resources Authority ("VRA") intends to issue its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2019B (the "VRA Bonds"), and to provide a portion of the proceeds to the County to finance the Projects pursuant to the terms of a Local Lease Acquisition Agreement and Amended and Restated Financing Lease (the "Financing Lease"), between the County and VRA, which will amend and restate the Prior Financing Leases (as defined in the Prior Resolution);

WHEREAS, the County will enter into an Amended and Restated Prime Lease (the "Prime Lease") with VRA whereby the County will lease certain real estate, which may include any or all of the real estate related to the County's courthouse, owned by the County as may be required by VRA (the "Real Estate") and the associated improvements and property located thereon (the "Improvements") to VRA;

WHEREAS, the County will enter into the Financing Lease with VRA pursuant to which VRA will lease the Real Estate and the Improvements back to the County and the County will make rental payments corresponding in amount and timing to the debt service on the p01iion of the VRA Bonds issued to finance the Projects (the "Rental Payments");

WHEREAS, pursuant to the Financing Lease the County will undertake and complete the Projects;

WHEREAS, the County intends to pay the Rental Payments out of appropriations from the County's General Fund;

WHEREAS, the Financing Lease shall indicate that approximately \$7,125,000 is the amount of proceeds requested (the "Proceeds Requested") from VRA;

WHEREAS, VRA has advised the County that the sale date of the VRA Bonds is tentatively scheduled for July 24, 2019, but may occur, subject to market conditions, at any time between July 15, 2019 and August 15, 2019 (the "VRA Sale Date"), and that VRA's objective is to pay the County an amount which, in VRA's judgment, reflects the market value of the Rental Payments under the Financing Lease (the "VRA Purchase Price Objective"), taking into consideration the Proceeds Requested and such factors as the purchase price to be received by VRA for VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA (collectively, the "VRA Costs")) and other market conditions relating to the sale of the VRA Bonds;

WHEREAS, such factors may result in the County receiving an amount other than the par amount of the aggregate principal components of the Rental Payments under the Financing Lease and consequently (i) the aggregate principal components of the Rental Payments under the Financing Lease may be greater than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) if the maximum authorized aggregate principal components of the Rental Payments under the Financing Lease set forth in paragraph 1 of this Resolution does not exceed the Proceeds Requested by at least the amount of the VRA Costs and any original issue discount, the amount to be paid to the County, given the VRA Purchase Price Objective and market conditions, will be less than the Proceeds Requested; and

WHEREAS, the Prime Lease and the Financing Lease are referred to herein as the "Documents." Copies of the Documents are on file with the County Administrator.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF PRINCE EDWARD, VIRGINIA:

1. Approval of the Terms of the Rental Payments. The Rental Payments set forth in the Financing Lease shall be composed of principal and interest components reflecting an original aggregate principal amount not to exceed \$7,420,000 and a true interest cost not to exceed 4.0% per annum (exclusive of "Supplemental Interest" as provided in the Financing Lease and taking into

account any original issue discount or premium) and the final maturity shall be not later than December 31, 2034.

It is determined to be in the best interest of the County to accept the offer of VRA to enter into the Financing Lease with the County, subject to the terms and conditions set forth in this Resolution, which Financing Lease shall be executed by the Chairman of the Board (the "Chairman") and the County Administrator, or either of them. Given the VRA Purchase Price Objective and market conditions, it may become necessary to enter into the Financing Lease with aggregate principal components of the Rental Payments greater than the Proceeds Requested. If the limitation on the maximum aggregate principal components of Rental Payments on the Financing Lease set forth in this paragraph 1 restricts VRA's ability to generate the Proceeds Requested, taking into account the VRA Costs, the VRA Purchase Price Objective and market conditions, the Chairman and the County Administrator, either of whom may act, are authorized to accept a purchase price at an amount less than the Proceeds Requested.

The Financing Lease, in substantially the form presented to this meeting, is hereby approved, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Chairman and the County Administrator, either of whom may act.

The approval of the final terms of the Rental Payments and the completions, omissions, insertions and changes to the Financing Lease shall be evidenced conclusively by the execution and delivery of the Financing Lease by the Chairman and/or the County Administrator and no further action shall be necessary on the part of the Board.

2. Other Actions. All other actions of the officers of the County in conformity with the purpose and intent of this Resolution are hereby approved and confirmed. The officers of the County are hereby authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the actions contemplated by this Resolution or the execution and delivery of the Documents.

3. Repeal of Conflicting Resolutions. All resolutions or parts of resolutions in conflict herewith are hereby repealed.

4. Effective Date. This resolution shall take effect immediately

In Re: Other Business

Discussion followed regarding the proposed Executive Director position and an ambulance for EMS.

Chairman Wilck suggested if the County pays for the ambulance, the County should stop making payments to the Town, such as the \$77,000 that goes to the Fire Department in Town, and \$26,000 that goes to the Airport. He said he would rather not do that, but they are "cherry-picking" months but that is not factual. Discussion followed.

Supervisor Townsend said the County and Town need to show unity and work together and find a long-term fix, not just putting a "band-aid" on it. Discussion followed.

Mr. Bartlett said that if there is no long-term solution, this will be necessary next year and the year following. He said the Service District would get the Town to pay about 35-39% in Real Estate values. He said a Service District tax can be placed on all personal property or real estate. He said if one cent is levied on real estate, about ten cents would be needed on personal property. If the Board sets a rate, it is imposed on the Town also. Discussion followed.

Mrs. Sarah Elam Puckett, Assistant County Administrator, suggested the Rescue Squad make a request for \$50,000-\$60,000 from the Centra Southside Board to endorse the Squad. She said the Prince Edward Rescue Squad brings more patients into the emergency room at Centra Southside than any other entity, and if the Board of Supervisors would endorse it, the Foundation Board would take the request more seriously. Discussion followed.

Mr. Bartlett said if the Board wishes to impose a Service District, it must be done before the Commissioner gives the Land Book and Personal Property Book to the Treasurer, which is September 1. There is enough time to place the advertisements for public hearings to create a district. Discussion followed.

Discussion followed on an increase of one cent on the Real Estate tax and ten cents on Personal Property tax, excluding Merchant's Capital.

Mrs. Puckett stated the Board would need to authorize advertising a public hearing for the creation of the special tax district and to authorize advertising the District Levy of one cent on Real Estate and ten cents on Personal Property, exempting Machinery and Tools. She said the Board would also need to amend the County Tax Ordinance which was adopted with the budget. Discussion followed.

On motion of Supervisor Emert, seconded by Supervisor Townsend, and adopted by the following vote:

Aye:	Pattie Cooper-Jones	Nay:	None
	J. David Emert		
	Llew W. Gilliam, Jr.		
	Robert M. Jones		
	Odessa H. Pride		
	Gene A. Southall		
	Jerry R. Townsend		
	James R. Wilck		

the meeting was adjourned at 6:40 p.m.