VIRGINIA:

A FY 2019 Capital Improvement Budget Work Session of the Lancaster County Board of Supervisors was held in the Administrative Building Board/Commission Meeting Room of said county on Thursday, July 12, 2018.

Members Present:	William R. Lee, Chair
	Jason D. Bellows, Vice Chair
	Jack D. Larson, Board Member
	Ernest W. Palin, Jr., Board Member
	Robert S. Westbrook, Board Member
Staff Present:	Don G. Gill, Assistant County Administrator and Planning/Land Use Director
	Crystal Whay, Building/Land Use Assistant

Mr. Lee called the meeting to order at 7:00 p.m.

Presentation by Davenport and Company Regarding Possible Financing Options for Proposed Capital Improvement Project Requests for FY 2019

R. T. Taylor and Ted Cole of Davenport and Company were present.

Mr. Cole stated that their presentation was going to walk through some funding options for the proposed school project. He stated that they have looked at two different scenarios concerning the amount of funding. He stated that the amounts were $47 million and $80 million dollars. He stated that they have looked at a number of ways that the County could borrow the money. He stated that the first way was through a federal program called USDA and is a rural development loan. He stated that the USDA offers up to forty-year terms and fixed rates. He stated that if the County qualifies, it would give the lowest annual payment compared to some of the other options. He stated that they ran two different scenarios under USDA with one being that they fund one hundred percent of the loan request and the second where USDA funds eighty percent of the loan and the County would need to come up with twenty percent from another source. He stated that USDA will not fund the entire amount up front and would require interim financing and then their money becomes available at the end of construction. He stated that the County would have the ability to pre-pay the USDA loan, if it chooses to and the money would be applied to the back end of the loan.

Mr. Cole stated that another funding approach was a state program that the County has used before called the Virginia Public School Authority (VPSA). He stated that VPSA issues bonds on behalf of local governments in Virginia and are specifically for school projects. He stated that they have a pooled bond program and it was done twice a year. He stated that loans through VPSA typically go out as far as thirty years. He stated that they ran scenarios with VPSA at twenty, twenty-five and thirty years for comparison. He stated that they have essentially five scenarios for both the $47 million and $80 million dollar borrowings.

Mr. Cole referred to the VPSA program and stated that if the County participated in it, it would be issuing a general obligation bond. He stated that, normally, it would have to go to a referendum to be able to issue a general obligation bond, but in Virginia, no referendum was required. He stated that, with VPSA, the County would not have to get all of the money at one time and would have discretion over when to get the money over the course of two pool periods each year. He stated that the caveat would be that VPSA's borrowing rates were based on the market, so there would be interest rate exposure.

Mr. Cole stated that they understood that there were two potential move-in dates for the initial school project, which were January 2021 or September 2021 and was probably a moving target.

Mr. Cole stated that, with USDA, an interim financing must be done during construction and then the County would get all of the money at once and there would be a fixed rate. He stated that, with VPSA, the County could choose how much and when it would want to borrow, once qualified.

Mr. Bellows referred to the USDA loan and asked who loans the money for the interim financing.

Mr. Cole replied that the County would have to go to a lender of its choice.

Mr. Gill asked about collateral for both the USDA and the VPSA loans.

Mr. Cole replied that with VPSA, it was a general obligation pledge of the County, so that was the collateral. He stated that there would be no mortgage on the facility since it would be backed by the taxing power of the County. He stated that the worse case scenario would be if the County chose not to make the payment to VPSA, it would be legally compelled to raise taxes to get the money. He stated that with USDA, if the County had a referendum and it passed, the County could give them a general obligation pledge. He stated that if the County did not have a referendum, with USDA, then there would be a mortgage on the facility.

Mr. Gill asked if VPSA could be used for the twenty percent.

Mr. Cole replied yes. He stated that in the USDA scenario where only eighty percent was being financed, the County could use a bank loan, VPSA, cash or some combination for the other twenty percent.

Mr. Larson stated that he did not think the County would use cash in that situation.

Mr. Cole explained the page where it described the timing of the borrowings with the different scenarios. He referred to the debt service comparison page and stated that they had used the current market interest rate for the USDA and slightly conservative interest rates for VPSA, so he thought they were good planning rates for the purposes of the discussion. He stated that, also on that page, was the estimated annual debt service for approximately ten years for the $47 million dollar borrowing. He stated that the lowest payment, once they were near the move-in date, was going to be with the USDA loan at one hundred percent of the borrowing at approximately $2.5 million a year. He stated that, also on that page, was the total amount that would be paid back for each loan, including principal and interest.

Mr. Cole referred to page five and stated that the graph showed the existing debt as well as the proposed debt with both USDA and VPSA. He stated that the graph also showed what the debt service amount would step up to, which would be around $3.5 to $4 million dollars for a few years. He stated that he wanted the Board to keep in mind that they currently have about $1.6 million dollars in debt service for the current fiscal year. He stated that, with USDA, it is like a mortgage with the combined principal and interest payments being the same each year. He stated that the County would be paying very little principal in the early years, but the payment would be the same year after year. He stated that VPSA can work the same way or it can provide flexibility to customize the principal repayment schedule.

Mr. Cole referred to page six and stated that page showed everything the previous pages had shown, but for an eighty million dollar borrowing instead. He stated that the peak debt service amount would be more at about $5.5 to $6 million dollars annually for a few years.

Mr. Cole stated that he had spoken to staff about several issues including the possibility of a referendum. He stated that if the County chose to have a referendum on the fall ballot, there were some steps that would need to be completed in August. He stated that if the referendum passed, the County could sell general obligation bonds.

Dr. Westbrook asked about it taking a significant amount of time to get through the USDA application process.

Mr. Cole stated that the USDA application process was a pretty significant undertaking and can take time.

Mr. Bellows stated that he thought he had heard that the USDA application process could take up to twenty-four months.

Mr. Bellows asked about the time frame with VPSA.

Mr. Cole replied for the fall pool with VPSA, the application was due by August 27th. He stated that the VPSA application was simple and straightforward. He stated that, ahead of the application, the School Board and the Board of Supervisors would need to take some preliminary actions through resolutions. He stated that once the application has been submitted, the decision was known pretty quickly. He stated that the County would have until around October 1st to decide if that was what they wanted to do and the money would be available in November. He stated that it was done all over again in the spring. He stated that the VPSA process was faster than the USDA process.

Mr. Larson stated that a general obligation pledge will be legally enforced if the County goes back on the pledge and asked if there was a precedent where that had happened in a locality.

Mr. Cole replied that he was not sure if that had happened in Virginia and if it had, it was a long time ago. He stated that he knew of a non-general obligation debt that was subject to appropriations and the City of Buena Vista's city council was supposed to put it in their budget every year, but chose not to and now were in an extended legal battle with the bondholders.

Mr. Larson stated that a general obligation bond was more than just a pledge and would be legally enforced.

Mr. Cole agreed and stated that it would be a binding obligation of the County.

Mr. Cole stated that if the County were to hold a referendum and it were to fail, it would not preclude USDA from approving an application and funding the project. He stated that the USDA considers school facilities an essential community facility.

Mr. Cole stated that with the VPSA a referendum was not required, but if a referendum was held and failed, then the County would go to another test. He stated that one of two things would have to happen. He stated that the first option would be that the School Board and the Board of Supervisors would have to unanimously approve a resolution deeming the school project essential and the second option would be to wait two years and reapply. He stated that, alternatively, the Virginia Department of Education could step in and state that it was an emergency situation and allow the school facility to move forward.

Mr. Larson asked what would constitute an emergency situation.

Mr. Cole replied that he did not know the answer, but could find out.

Mr. Palin referred to a failed referendum and asked if that would affect interest rates with VPSA.

Mr. Cole replied that if the County can meet the targets or tests and still participate, then it would not.

Mr. Cole stated that there were other ways to issue long-term debt, like going through the County's Economic Development Authority. He stated that would not require a referendum and the school facility would be used as collateral. He stated that, after looking at all of the options, USDA or VPSA would be better options and less expensive than going with the EDA.

Mr. Lee asked what were the normal annual fees for VPSA.

Mr. Cole replied that the fee was five basis points based on interest rates.

Mr. Bellows asked about investing the loan proceeds.

Mr. Cole replied that the loan proceeds would go into a state program called SNAP, which was similar to a money market account, and would be earning interest to the County's benefit and the money could be requisitioned as often as needed. He stated that the only thing with tax-exempt debt is that you cannot earn more interest than you are paying during the construction phase.

Mr. Cole referred to the recommendations page and stated that the County would need to try to keep all potential financing options as open as possible. He stated that there was a process with USDA and they can guide that, but the timeline might not match up to what the County wants to do. He stated that, with VPSA, there are two opportunities each year to apply and if the County wanted to submit the fall application, the deadline was August 27th and a final decision needed to be made by October 1st.

Mr. Bellows asked if they were to try to meet that deadline, would they need a definitive idea of what they were going to build or just a dollar figure.

Mr. Cole replied that, historically, VPSA has been very flexible about allowing local governments to borrow even if there were not definitive plans. He stated that the County would have to be prepared to pay back the loan even if the project does not move forward and that involves some risk.

Mr. Cole stated that they thought it was important to talk about affordability and referred to page twelve. He stated that the existing tax-supported debt was approximately seven million dollars and about $1.4 million of that was general obligation bonds and $5.7 million for lease revenue with approximately $1.6 million in debt service.

Mr. Cole referred to page thirteen and stated that they had set that up for the Board to see how it was paying for current debt service. He stated that the chart shows where the debt steps down for a few years, beginning in FY 2020 and if the Board would continue to appropriate the same $1.7 million dollars, they would be building into the budget some capacity for new debt. He stated that if the current appropriation for debt service were to remain constant, they would have in FY 2020 and beyond, something in the range of about $700,000 a year and that would help position the County to start to afford the new debt.

Mr. Cole referred to page fourteen and stated that a penny in the tax rate translates into roughly $250,000. He stated that the charts show how much additional taxes would be needed to support the new borrowing of either $47 million or $80 million dollars.

Mr. Bellows asked if this was assuming using only real estate taxes.

Mr. Cole replied yes, but that they could benchmark it against any other source of revenue that the County may want to consider. He explained the charts and stated that the lowest tax impact would be the USDA option, at one hundred percent funding.

Mr. Lee stated that the charts were referring to property taxes.

Mr. Bellows stated that there were other taxes that could be considered to spread out the impacts.

Mr. Cole stated that the real estate tax was an easily understood concept, but the Board could choose to come up with revenue from other sources.

Dr. Westbrook referred to page ten and stated that the last sentence on that page was very important and he read "work to develop a multi-year, comprehensive plan of finance that includes the proposed school project(s) and other County capital needs." He stated that was critical, in his opinion.

Mr. Cole stated that there would be other projects that the County will have to do or want to do and that would change the results that they were presenting.

Mr. Cole stated that they often talk about two concepts of debt, which are debt capacity and debt affordability. He stated that he thought Lancaster County had been very conservative and prudent in its use of debt historically. He stated that Lancaster County did not have a lot of outstanding debt as compared to other counties. He stated that he thought the County has ample debt capacity, but debt affordability was the tougher question.

Dr. Westbrook asked if the Board would need any other professional services or advice as it has the discussions concerning the school capital project.

Mr. Cole stated that, on the project side, they will be dealing with the architects and if the County decides to do a borrowing, bond counsel will be needed. He stated that, on the front end, the Board could choose to work with his firm or do it in-house. He stated that he did not think there were any other professionals needed at this point in time.

Public Input

Mr. Lee stated that the Board would hear public comment.

Dave Dustin, a White Stone citizen, asked if the County could pay extra money on the loans to pay down the principal, like in a mortgage.

Mr. Cole replied yes and with USDA, the extra money is applied to the back end of the loan.

Mr. Dustin asked if the County could sell municipal bonds to generate funds.

Mr. Cole replied yes and that was what would be happening with the County selling its bonds through VPSA, if it went that route, to individuals or institutions.

Mr. Dustin asked if the interest rate with VPSA was variable.

Mr. Cole replied that the VPSA rate was fixed after the bonds were sold and the rate was locked in.

Jimmie Carter, a White Stone resident, referred to the VPSA rate structure and asked if they would be paying per draw or at the end.

Mr. Cole replied that each draw would have its own twenty or thirty year amortization and each draw would be locked in separately.

Mr. Carter asked Mr. Cole what he would do, based on his experience, concerning borrowing for the capital projects.

Mr. Cole replied that there were more opportunities for interest rates to go higher than lower, but that does not mean they will go higher. He stated that, in his experience, with local government, having a known budget for the debt service could afford a lot of comfort. He stated that trying to time the market can be very difficult to do. He stated that if there was a commitment to fund some amount of school projects, he thought there was a case that could be made that we were in a very favorable interest rate environment. He stated that if the County knew it was going to do a school project, then there was merit to considering locking in some amount of that money sooner than later, if there was commitment to the project and the County was prepared to begin the repayment. He stated that, if the County were to borrow money this fall, through VPSA, the first payment would be in FY 2020. He stated that if there were any doubts that there would be a project, then that would be a risky approach because the County would not know whether they needed it or would be able to spend it, but it cannot be undone. He stated that, generally in the bond market for VPSA, the County would be locked in for ten years. He stated that after ten years, the debt could be refunded, usually if there was a reason to do it for savings.

Mr. Carter referred to a $47 million dollar project and asked, if the decision was made to go with that, would it be better to take the whole amount at one borrowing or break it down in smaller amounts.

Mr. Cole replied that the safest thing to do would be to borrow based on a bid or a known cost for the project. He stated that borrowing all of the money now takes any interest rate risk off the table.

Mr. Carter referred to origination costs and asked what the difference was between USDA and VPSA.

Mr. Cole replied that there were two costs to take into consideration. He stated that one of the costs was what has to be paid to close the loan. He stated that, with USDA, there were also the costs of time and potential costs of inflation. He stated that he also thought that when a project was being bid that was USDA funded, there were additional requirements that the contractor needed to comply for USDA.

Mr. Carter stated that Davenport and Company had done a very informative presentation and thanked them.

Dr. Westbrook referred to the $47 and $80 million dollar scenarios and stated that the $47 million represents part of the finished project. He stated that they were looking at the possibility of a school campus, with this being phase one. He stated that, if the campus were completed, the County would realize tremendous efficiencies and actually save money by having a campus versus continuing to have three schools. He stated that the question for himself was once they knew the actual bid amount, which would be closer to $80 million dollars, wouldn't it be smarter to go for the full amount to complete the project. He stated that he wondered when they would ever come back to do phase two if it was not done now.

Mr. Cole stated that he followed what Dr. Westbrook was saying, but his firm did not have the perspective to give an opinion on the County's need for schools.

Mr. Lee stated that he thought it came back to something Mr. Cole had discussed earlier and that was the affordability piece. He stated that they knew the County could handle the debt capacity aspect, but would have to grapple with the debt affordability.

George Bott, a District 1 citizen, stated that he had some concerns about the current approach for new schools. He stated that, two weeks ago, Mr. Larson moved to place the matter of new schools on the ballot. He stated that there was a lot of discussion that evening and a lot of strong feelings expressed. He stated that the reasons given not to put the matter to a referendum in November were a general discomfort with the proposed $47 million for an elementary school with an infrastructure build-out on Good Luck Road and uncertainty about the additional costs of a new high school and middle school, either in one building or two, with not enough information on the impact on taxes at the time. He stated that there was also a lack of a coherent approach to the plan, which was understood by everyone. He stated that, at this point in time, he supported Mr. Larson, because a referendum would force clarification of what was going to be done. He stated that he did not think there was an understanding of what we are doing at the moment in terms of new facilities and there was no agreed upon plan, just turmoil.

Mr. Bott stated that there were nineteen citizens that were on the School Facilities Committee and there was a report, briefed by Mr. Carter that was presented to the School Board on April 6, 2017. He stated that, after a public hearing, that plan was approved and accepted. He stated that, in essence, the report said that they needed to create a centralized campus and build an integrated high school and middle school and renovate the existing middle school into an elementary school. He stated that they cannot have that on Good Luck Road. He stated that the plan was published in the Rappahannock Record and all nineteen names of the School Facilities Committee were included at the bottom of that publication and that's what they told the public. He stated that the plan was also presented to the Board of Supervisors and the USDA. He stated that the requirements in that plan were overstated, however, because it was based on too many students and the square footage was overstated. He stated that the schools have a steadily declining enrollment.

Mr. Bott stated that the architects' cost of $68 million for the original plan, without the cost of the land or hook-ups to utilities, should have been about $58 million when the overstated requirements are considered. He stated that the existing high school was built to the concept of an open space with few windows and no walls and after a couple of years, the concept changed and walls have been put up and the conditioning of the building continues to have issues. He referred to the new concept of $47 million dollars for a new elementary school, plus improvements and another $30 or $40 million dollars for a high school and a middle school, which would then require them to abandon all three existing schools.

Mr. Bott stated that, in the absence of a clear, new plan, he would recommend that they go back to the published plan. He stated that plan was well thought out and carefully crafted by citizens. He stated that reducing the square footage requirements to match the number of students today would reduce the costs considerably. He stated that the smaller school plan could be placed on the ballot this November and there is time to do that. He stated that, if asked, he would help the Finance Committee identify efficiencies, so that the tax rate would not have to be increased as much as they thought. He stated that there were no offsetting, tax-lowering efficiencies with the Good Luck Road approach and they don't have a centralized campus there. He stated that it was time to end the turmoil and get back to the citizens' plan.

Dave Dustin, a White Stone resident, stated that the chart showed that the County currently owes approximately $7 million dollars and he imagined that money was borrowed at a higher interest rate. He asked if that debt could be consolidated in the borrowing that they were considering now at a lower interest rate.

Mr. Cole replied that would be possible, but the question was whether those existing loans can be prepaid. He stated that one thing with VPSA that would be a limiting factor was that they are only authorized to fund school projects.

Audrey Thomasson, School Board Chair, thanked Davenport and Company for the presentation. She also thanked the Board of Supervisors for looking at both scenarios of $47 and $80 million dollar borrowings. She stated that she would like to address some of Mr. Bott's statements. She stated that it was water under the bridge regarding the property because the original two properties had issues with negotiations, which was why they looked at the Good Luck Road site and had to start all over again. She stated that she had asked John Mann and Steve Parker about the savings if they put all three schools in one location, which would translate into a savings with jobs, utilities, fuel, etc. She stated that Dr. Parker and Mr. Mann came up with a minimum estimate of roughly $975,000 per year in savings in operational costs. She stated that the downside was that if they just build the one school and not the other school right away, then they would be seeing very little of that savings. She stated that she had talked to Dr. Parker about moving the seventh and eighth grades up to the high school and he said there was no room. She said that they were not going to see those savings as long as there were three school campuses. She stated that she has to leave it in the Board of Supervisors' hands as far as how the financing is handled, but she was sure that they would do what is best for this County and its children.

Mr. Lee stated that he might be the only one on the Board that feels this way, but he has been listening over the last few weeks and it doesn't seem, in his opinion, that they really have a clear plan for the new schools. He stated that there has been discussion about building one school, two schools or three schools and even if it should be on Good Luck Road. He stated that it seemed like a moving target.

Mr. Bellows agreed. He stated that like Mr. Bott had said, the School Facilities Committee spent eighteen months preparing a plan that went through the School Board and was approved and when it was time to find out what that was really going to cost, the architects came in with a brand new plan for just one elementary school and he did not know where that had come from. He stated that he agreed with Mr. Bott and Ms. Thomasson in that, if the County cannot have a campus with at least two facilities, then it will not reach the type of efficiencies that it should or could reach. He stated that there was still a lot to look at in terms of the whole picture.

Dr. Westbrook stated that the schools project has evolved and the School Facilities Committee worked with what it had. He stated that when it came time to discuss purchasing the originally considered parcel, it was determined that the owner was going to be unreasonable in the asking price. He stated that after that, the Good Luck Road property was found and is wonderful for the school project as well as other County projects. He stated that the consideration of a combined high school/middle school and converting the middle school to an elementary school is not without its cost issues. He stated that the goal was to have energy efficient schools to the magnitude that they would be net positive, if at all possible and it is possible. He stated that to convert the middle school to a net positive elementary school brought a lot of issues with it. He stated that the class sizes have to be different and are dictated by the state, as well as the number of bathrooms and to make it an energy efficient school added costs. He stated that what they could be talking about now, with a school campus, is different from what the School Facilities Committee came up with initially. He stated that they should be flexible enough to discuss among themselves and with the community what we want for our kids. He stated that the whole concept of a campus takes advantage of the things that we have learned from the architects of how to do a net positive school, including the orientation of the buildings, taking advantage of the daylight, geothermal wells, LED lighting, a giant cistern that can collect rainwater and other things. He stated that all of that works best if there is a planned campus and that campus could be two buildings that share the facilities that are appropriate to share. He stated that, yes, the plan has evolved and it can be called a moving target, but they need to think about what was the very best that they can do for the kids. He stated that they could also think about re-purposing the school buildings that they have now and there are a myriad of options for that.

Mr. Larson asked what those options were.

Dr. Westbrook replied that they could harden part of the schools and make it a true shelter for citizens during storms, because the County does not have a true shelter at the present time. He stated that they could have a community center at the middle school. He stated that some of the County employees, such as the EMS Department, who want a home and need parking facilities for the ambulances, could go into one of the existing schools.

Mr. Larson referred to re-purposing the existing schools and asked if they were going to talk about the costs of maintaining those three facilities, which are all considerable size and where the money would come from to do so.

Dr. Westbrook stated that it would come from the decision of how we are going to do what we want to do.

Mr. Larson asked if Dr. Westbrook thought that the public should have a say in these matters.

Dr. Westbrook replied absolutely and he had just said that.

Mr. Bellows asked about a public hearing requirement concerning the borrowing.

Mr. Cole replied that VPSA requires a public hearing.

Mr. Bellows stated that, with the public hearing, there would be opportunities for public input on the loan and the process.

Mr. Lee stated that he still thought they needed to have a concrete plan.

Mr. Bellows agreed. He stated that he thought they needed another joint meeting with the School Board and the architects.

Mr. Lee stated that the school project was in the forefront and they needed to decide what direction they were going in and he knew the School Board was anxious to do something, but the Board of Supervisors had to make sure they knew what they were doing.

Dr. Westbrook stated that, in his opinion, he agreed with Sharon Gill about engaging the public more than just five minutes at a crack. He stated that the school issue should be a dialogue with the people in this community, so that they hear from everyone and it will help them decide what they should actually do. He stated that they needed a strategic plan for not only the schools, but other projects and how they were going to pay for it.

Mr. Bellows referred to the RRMM study of 2012 and stated that if you look at all of the options that were studied, some of the options included renovations of the current facilities and those costs ranged from $40 to $50 million dollars. He stated that would be $50 million dollars spent in today's money with no efficiencies and just end up with the same three facilities with brand new renovation. He stated that if they could look to have those efficiencies and if the optimal plan was scaled back to what the County needs for approximately 1100 students, he thought they were looking at a number more around $60 million dollars. He stated that amount would be pretty close to the renovation numbers and with almost a million dollar savings with the new school efficiencies, the renovations would end up being more costly.

Mr. Lee stated that they needed a concise plan because they cannot put a dollar figure to just anything.

Dr. Westbrook stated that he agreed and the $47 million dollar figure came about because it seemed reasonable to replace the most needy school, which is the primary school.

Mr. Larson referred to the primary school and stated that there was an efficiency that they could accomplish right now which would be to simply close the primary school. He stated that it was not that long ago that there were 1700 students being served in three facilities and now that number is 1100. He asked why that school had not been closed when everyone knows of its conditions. He stated that closing that school would realize efficiencies such as not having another principal and staff, utilities and all of the other things that go with the school. He stated that if the ultimate concept was two schools with pre-kindergarten through 5th grade in one building and 6th grade through 12th in another building, that could start right away.

Ms. Thomasson asked if Mr. Larson was talking about building a primary school.

Mr. Larson replied no. He stated that he was talking about closing the primary school right now and using the other two facilities. He stated that the school system has decreased by a third in its enrollment over the last few years.

Dr. Westbrook stated that the state dictates classroom size for elementary students, which was different from what is in the middle school, so there would have to be renovations within the schools.

Mr. Larson stated that the County bought the old community library a few years ago and nothing had been done with it. He asked if that building had even been considered.

Ms. Thomasson stated that building needed too much work.

John Mann stated that the renovations on the old community library were put on hold pending the outcome of the School Facilities Committee.

Mr. Larson asked Mr. Mann if he had looked at the building sufficiently to tell him that what he was proposing could not be done.

Mr. Mann replied that the entire preschool could not all fit in that building.

Mr. Larson stated that he had not suggested that the entire preschool go in the building. He stated that the concept that has been put forward was to put pre-kindergarten through 5th grade in one building and 6th grade through 12th in another.

Mr. Bellows stated that until they had the joint meeting, he did not think those questions could be answered.

Ms. Thomasson stated that everyone keeps saying that we don’t have a plan and we do have a plan. She stated that they were moving forward with a design on a campus on the Good Luck Road property and what they move forward with depends on what the County decides to finance. She stated that studies are being done now with the faculty with the $350,000 that was sitting in the Capital Improvement Budget. She stated that they were utilizing that money for the study.

Mr. Larson asked how could the School Board be utilizing that money when it has not been approved by the Board of Supervisors yet.

Dr. Westbrook stated that the money has already been approved and paid.

Mr. Gill stated that approximately $135,000 is in a SNAP account that can only be spent on school capital projects and another $250,000 is in an account from the penny in tax increase that was earmarked by the prior Board of Supervisors for school capital projects.

Dr. Westbrook replied that the contract had been signed and it was agreed upon at the joint session.

Ms. Thomasson stated that, according to the Code of Virginia, the School Board was a separate unit from the County and the School Board decides what is best for the schools. She stated that the School Board needs to decide what kind of buildings they will have and where they will be and then the School Board comes to the Board of Supervisors for the money. She stated that the Board of Supervisors then gives the amount that they think the School Board should have.

Mr. Lee asked if they were working on a plan right now.

Ms. Thomasson replied yes.

Mr. Palin asked if they haven't already come to the Board with a plan. He stated that now they have to figure out what they can afford.

Mr. Lee asked if the plan was one school or two schools.

Mr. Bellows stated that the confusion was that there was an optimal plan that the School Board had approved that had been recommended by the School Facilities Committee and then, all of a sudden, the architects presented a plan with just one school building right now with a second phase in the future.

Ms. Thomasson stated that, at the meeting with VMDO, the Board of Supervisors had been presented with the plan that the School Board wanted to move forward with.

Mr. Palin stated that, from what he had been hearing, the Board's decision was whether or not they wanted to fund the $47 million dollars now and think about in a few years coming back to discuss the second phase or do they want to talk about funding the $80 million dollars for both phases. He stated that was the Board's decision and also to figure out what they can afford to do.

Mr. Larson asked why Mr. Palin voted against his referendum motion at the last meeting.

Mr. Palin replied that he did not feel he had enough information at that time.

Dr. Westbrook stated that when the contract was signed with VMDO, the purpose was for them to have continuing meetings with the staff and community to find out the needs for the schools. He stated that they would not be finished with that process until the end of the calendar year. He stated that they do not have the information needed for a referendum.

Mr. Palin referred to page fourteen of the Davenport and Company report and stated that he thought the Board needed to start discussing the possible tax increases that will be needed to pay for the new schools. He stated that, according to page fourteen, taxes may have to be raised anywhere from eight to seventeen cents, depending on the amount of the borrowing. He stated that they needed to start discussing the affordability of the proposed project.

Dr. Westbrook stated that they were not under a deadline. He stated that this has been kicked down the road since 2012. He stated that they have time to deliberate and discuss issues such as the different tax structures and possibly selling County-owned property that was not being used. He stated that there were a lot of parts to this puzzle and we do not have to make a decision now. He stated that the architects will need time until the end of the year and the Board can have its discussions during that time.

Mr. Lee thanked Dr. Westbrook for his comments and stated that he agreed that they needed to take time.

Mr. Bellows stated that he thought they had time too, and that they needed to have more discussions with the School Board as the process moves forward. He stated that he was not against a public referendum, but voted against Mr. Larson's motion at the last meeting because there was not enough information for one, yet.

Mr. Larson stated that they were moving along and committing money to doing things when there was no clear plan. He stated that the public is confused and they are the ones that will be paying the bill, so that was why he feels they need to have a public referendum. He stated that when the Board talks about the affordability of the proposed project, the public should be the ones answering that question. He stated that he would not go along with anything until it is put to the public and they can get some feedback from them.

Mr. Lee asked Mr. Cole about the specific information needed for a referendum.

Mr. Cole replied that was a legal question in terms of specifics.

Mr. Bellows stated that it is all in how it was presented. He stated that sometimes referendums are presented in a way, in his opinion, to either bypass crony politicians or as a political ploy.

Mr. Larson stated that he would like to discuss the $350,000 for VMDO again. He stated that it had been said that a contract had been signed, which means they have an obligation. He asked Ms. Thomasson, as Chairman of the School Board, did she sign the VMDO contract.

Ms. Thomasson replied that Dr. Parker signed the VMDO contract.

Mr. Larson stated that the money was going to have to be funded out of FY 19 funds. He asked if there was any money in the budget currently for this expense.

Mr. Gill stated that the SNAP funds were not reflected in the County's FY19 operating budget, but that $135,000 was earmarked for school capital improvement items only. He stated that he believed that the penny in real estate taxes, that was earmarked by the prior Board of Supervisors for school projects, was not in the FY 19 operating budget either.

Mr. Larson stated that he did not remember voting on the issue.

Ms. Thomasson stated that the contract was not signed until after the approval of the Board of Supervisors.

Mr. Palin stated that the approval was through a consensus.

Mr. Larson stated that they should not make these kind of decisions, when it involves the spending of money, whatever amount it might be, by consensus.

Mr. Lee stated that they would research the issue to see if the approval came by way of a vote or consensus.

Mr. Lee asked Mr. Gill to discuss the other Capital Improvement Budget items for FY 19.

Mr. Gill stated that the new schools issue was going to take some time, but there were other items in the Capital Improvement Budget that needed to be funded, for example, two school buses, a Sheriff's Department patrol car and an ambulance that will serve the Upper Lancaster Volunteer Rescue Squad, but be owned by the County. He stated that an 80/20 grant had been applied for the ambulance and they have been approved for a 50/50 grant. He stated that the original cost was approximately $250,000, so now it will be around $125,000. He stated that there was a deadline of September 1st for utilizing the grant. He proposed that the Board have a public hearing at its August meeting to consider and approve the other items in the Capital Improvement Budget, besides the new schools, so those items can get funded and move forward.

Mr. Lee stated that he had talked to Mr. Gill about the public hearing for the other items in the Capital Improvement Budget and it seemed like the reasonable thing to do. He stated that they did not want to lose the ambulance grant either.

Mr. Larson asked about the current balance in the Capital Improvement Budget fund.

Mr. Gill replied that there was approximately $434,000 left from the prior borrowing in 2014.

Mr. Larson stated that, if the money that has been obligated to VMDO was not in the budget, then it will have to come out of the Capital Improvement Budget fund or they will have to make a decision that it be included in the operating budget.

Mr. Bellows stated that he would like to have more meetings with the School Board.

Dr. Westbrook suggested that the School Board come to the Board of Supervisors to request a joint meeting when they have more information.

Adjournment

Mr. Lee made a motion to adjourn the meeting.

VOTE:	William R. Lee	Aye
	Jason D. Bellows	Aye
	Jack D. Larson	Aye
	Ernest W. Palin, Jr.	Aye
	Robert S. Westbrook	Aye