

VIRGINIA:

A FY 15 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, June 19, 2014.

- Members Present: B. Wally Beauchamp, Chair
 Jason D. Bellows, Vice Chair
 F. W. Jenkins, Jr., Board Member
 Ernest W. Palin, Jr., Board Member
 William R. Lee, Board Member
- Staff Present: Frank A. Pleva, County Administrator
 Don G. Gill, Planning and Land Use Director
 Jack Larson, Finance Consultant
 Crystal Whay, Building/Land Use Secretary

Mr. Beauchamp called the meeting to order at 5:00 p.m.

CAPITAL IMPROVEMENTS FINANCING

Mr. Pleva stated that the Board of Supervisors had discussed methods of financing capital projects at their last meeting. He stated that the reserve fund had been used in the last few years, but the current interest rates were attractive for borrowing. He stated that Ted Cole from Davenport and Company and Dan Siegel from Sands, Anderson PC were present to discuss some options.

Mr. Cole stated that he had a presentation that would discuss some key debt ratios and different scenarios and what the debt service would cost the County. He stated that the County did not have a bond rating and had never needed one. He stated that there was not a particular reason to get one at this point. He referred to information that compared Lancaster to other counties.

Mr. Cole discussed the County’s existing tax supported debt, which included school debt. He stated that the County debt is approximately \$4.5 million and the school debt is approximately \$2.3 million.

Mr. Larson stated that he wanted to clarify that the school debt is financed by the County and is part of the County's budget.

Mr. Cole stated that he understood and what they were trying to differentiate is that some of the debt is for a school purpose.

Mr. Cole referred to a 10-year payout scale and stated that the County amortizes its debt quickly and conservatively. He stated that the County's current 10-year payout ratio is 91%. He stated that lenders as well as state agencies, such as the Virginia Resources Authority, look at that number.

Mr. Cole stated that another way to look at debt is based on the amount per capita. He stated that Lancaster has the debt capacity to take on new debt and they also need to think about debt affordability.

Mr. Cole referred to another debt ratio, which was debt to assessed value. He stated that Lancaster compares very favorably to both the national and Virginia county medians. He stated that it is another example of how the County has debt capacity.

Mr. Cole referred to another ratio, where the debt service amount is considered. He stated that currently the debt service amount is approximately 4.5% of the annual budget and will decline over time. He stated that, once again, Lancaster compares favorably to the national and Virginia county medians.

Mr. Cole stated that he could safely say that there is capacity for the County to take on additional debt.

Mr. Cole referred to the debt ratio using existing debt as a percentage of governmental revenues. He stated that with approximately \$6.8 million dollars of debt and governmental revenues approximately \$22 million, the ratio is about 30%. He stated that percentage shows that the County falls into the very strong category of debt to governmental revenues.

Mr. Cole stated that all of the debt ratios show that the County has managed itself well.

Mr. Cole showed a schedule of years that debt could be financed and at varying amounts to determine the affordability of taking on more debt.

Mr. Cole stated that he would be happy to come back at a later date to discuss financing more specifically.

Mr. Pleva asked if they could discuss the potential sources of funding.

Mr. Siegel replied that bank financing and EDAs could finance all of the Capital Improvement Projects. He stated that the Virginia Public School Authority only does school

financing and the Virginia Resource Authority does financing for public safety and utilities, as well as some other projects. He stated that Rural Development is an option as well, but the rates are not always competitive and the terms are longer. He stated that the Rural Development option is best when there is a grant that can be received with the loan.

Mr. Cole stated that another consideration is that the County could use bank financing on its own schedule, whereas the Virginia Resource Authority and the Virginia Public School Authority have more stringent schedules, where they only issue bonds at certain times of the year. He stated that there is a credit review process whether or not the County goes with a bank or a state agency.

Mr. Jenkins referred to page 8 where it discussed the County considering a financial policy that established a maximum debt to assessed value ratio and asked about the process.

Mr. Cole replied that he would suggest that the County give some thought to establishing some policies or parameters, where it would establish an upper limit that would not be exceeded. He stated that it is another management and planning tool to help give the County guidance and creditors like to see the policies in place.

Mr. Siegel stated that from a lending standpoint, the less reserve in the bank, the less the banks want to lend. He stated that they are finding out that lenders are looking more and more at cash balances.

Mr. Cole stated that the reserve levels are important and the lenders look at historical performance on an operating basis, too. He stated that cash in the bank is important as well as cash flow.

Mr. Pleva asked about turn around times for financing.

Mr. Cole replied on a bank financing through the EDA, it would be about a 60-day process. He stated that the Virginia Resource Authority sells bonds three times a year and the Virginia Public School Authority sells bonds twice a year.

Mr. Jenkins asked if a capital asset is purchased before the funds are financed, if the County decides to go that route, would the purchase be precluded from reimbursement.

Mr. Siegel replied that the County could adopt a reimbursement resolution and the County could pay itself back with a tax-exempt borrowing. He stated that for tax purposes, it could be retroactive for 60 days.

Mr. Pleva asked about a ratio suggestion.

Mr. Cole replied that in adopting a policy, the County will want to set a ratio that will be relevant and it needs to be mindful of what needs to be accomplished.

Mr. Beauchamp asked about potential interest changes.

Mr. Cole replied that rates are very low and have been lower. He stated that a couple of drivers that are keeping rates low are that there is not a lot of supply of bonds, but there is a steady demand and there has not been a lot of good economic news and the international happenings tend to make people cautious. He stated that if the County went with the bank market, they could always refinance if the rates were to go lower.

Mr. Pleva asked if there was a minimum amount for borrowing.

Mr. Cole replied that the County needed to think about what they want to fund, but there is not a minimum amount required for any of the programs.

Mr. Jenkins stated that there is about a million dollars worth of school related projects. He asked if it made sense to go through the Virginia Public School Authority for the school projects and through the market for the other county projects.

Mr. Siegel replied that, in his opinion, the school bonds are not as flexible and he would not separate financing for the two types of projects.

Mr. Jenkins asked if there was any benefit to shopping out the school requests' financing.

Mr. Siegel replied that he did not see an advantage to doing so.

Mr. Cole agreed. He stated that with multiple projects, there would be more collateral from a lender's perspective.

Mr. Beauchamp thanked Mr. Cole and Mr. Siegel for their presentation.

BOARD REPORTS

Mr. Palin made a motion to appoint Sharon S. Waddy-Foster to be the District 2 representative to the Historic Resources Commission and to reappoint Maurice Simmons to be the District 2 representative to the Wetlands Board.

VOTE:	B. Wally Beauchamp	Aye
	Jason D. Bellows	Aye
	F. W. Jenkins, Jr.	Aye
	Ernest W. Palin, Jr.	Aye
	William R. Lee	Aye

COUNTY ADMINISTRATOR

Mr. Pleva stated that the administrator’s appointment to the Middle Peninsula Juvenile Detention Commission expires at the end of June and asked if the Board would like to make the appointment.

Mr. Beauchamp made a motion to reappoint Frank Pleva to the Middle Peninsula Juvenile Detention Commission.

VOTE:	B. Wally Beauchamp	Aye
	Jason D. Bellows	Aye
	F. W. Jenkins, Jr.	Aye
	Ernest W. Palin, Jr.	Aye
	William R. Lee	Aye

Mr. Pleva stated that he wanted to ask the Board to be thinking about an appointment to the Northern Neck Public Access Authority.

OTHER BUSINESS

Mr. Beauchamp stated that in Lancaster County, a communications card for the Sheriff’s Department stopped working last Friday. He stated that the department was advised that there might not be another one available in the Eastern District. He stated that one was found by Monday afternoon and in the interim, the department had to transmit through the EMS channel. He stated that the department was also advised that if the replacement card stopped working, they should not plan on finding another.

Mr. Beauchamp stated that Northumberland County recently purchased a new communications system and it was his understanding that the system cost approximately \$1 million dollars. He asked Chief McGregor for some comments on the issue.

Chief McGregor stated that in the last two weeks, each of the storms that have come through has either taken out one of the communications equipment at the tower sites or at the base station. He stated that the most recent occurrence affected the battery back-up unit at the Litwalton site. He stated that there have been several issues in the last couple of weeks where for a period of 3 to 5 days, the Sheriff’s communications have been on the fire and rescue channel. He stated, fortunately, there had not been a lot of communications to cause radio clutter.

Chief McGregor stated that the communications card came from West Virginia and the department is trying to find some more. He understood that some departments are going through the e-bay auction site to try to find the cards.

Mr. Bellows asked if the problem had to do with outdated equipment.

Chief McGregor replied yes and that another part of the problem is that they are relying on Verizon equipment, which is also outdated. He stated that an upgraded system would eliminate the need for Verizon connectivity.

Mr. Lee stated that he left Verizon in 2003 and part of his job was to update and upgrade software and equipment. He stated that he had spoken with an associate with the company, who said that there had not been an upgrade in Chesapeake since 2003 and that Verizon had no intentions of having one. He stated that not only is the equipment not being upgraded, it is not being built anymore.

Mr. Jenkins asked if this issue had anything to do with the Sheriff Department's request listed on the current Capital Improvement Budget.

Chief McGregor stated that the current request from the Sheriff's Department is for dispatch radio consoles and has nothing to do with the functionality or the communication between the Sheriff's Department and the repeater sites or individual radios.

Mr. Bellows asked about increasing their purchasing power with other localities.

Chief McGregor stated that he understood that there is some time remaining for the County to "piggyback" on Northumberland County's contract. He stated that Middlesex County is looking at a new system further down the road and Richmond County already upgraded a few years ago.

Mr. Bellows stated that the expense needed to be considered in the near future.

Mr. Jenkins suggested looking at what other localities are doing with their communications systems.

Chief McGregor stated that his concern is that since they are entering the summer storm season, the potential exists where they could lose communications on both channels. He stated that is a worst case scenario.

Mr. Beauchamp stated that he had brought up the issue because the Board was looking at potential borrowing and the communications issue will have to be dealt with.

Mr. Beauchamp asked about the volunteer communications in the upper end of the County.

Chief McGregor stated that there are still a few problems in Bertrand and Morattico.

Mr. Beauchamp stated that he had spoken with Sergeant Haywood and he had been working with Northumberland County to learn about their system. He stated that Lancaster may be able to “piggyback” on the Northumberland contract.

Mr. Palin asked about the cost.

Chief McGregor stated that Northumberland County’s system was between \$900,000 and \$1 million dollars. He stated that his guess for Lancaster would be approximately \$1.5 to \$2 million dollars.

Mr. Jenkins stated that he thought the issue should be a staff priority.

Everyone agreed.

Mr. Jenkins asked about the schedule for approving the Capital Improvement Budget.

Mr. Beauchamp stated that there are a number of unknowns.

Mr. Pleva stated that the operating budget and tax rate decisions had to be made by July 1st, but he did not see why they couldn’t wait on the Capital Improvement Budget.

Mr. Jenkins stated that some issues have come up since the Planning Commission reviewed the Capital Improvement Budget.

Mr. Pleva stated that he was not aware of any deadline for the Capital Improvement Budget.

Mr. Larson stated that a budget is nothing more than a financial plan and can and often is adjusted throughout the year.

Mr. Bellows stated that it is tied to the tax rate.

Mr. Jenkins stated that what the County would pay in fees and interest in the first year for the proposed borrowing is within the margin of the overall budget’s numbers.

Mr. Larson stated that it was.

Mr. Pleva stated that an option was to budget a token number or come up with the money during the year.

Mr. Lee stated that he did not think they wanted to budget a token number.

Mr. Larson again stated that the budget is a plan and the County can deal with the unknowns throughout the year during its execution.

Mr. Jenkins stated that they are not making any final comment on what the Capital Improvement Budget will be, but rather putting a plug in the expense budget to cover the costs of the debt service.

ADJOURNMENT

Motion was made by Mr. Jenkins to adjourn the meeting until 7:00 p.m.

VOTE:	B. Wally Beauchamp	Aye
	Jason D. Bellows	Aye
	F. W. Jenkins, Jr.	Aye
	Ernest W. Palin, Jr.	Aye
	William R. Lee	Aye