

BOARD OF SUPERVISORS MEETING

February 19, 2019

A meeting of the Campbell County Board of Supervisors extended from February 5, 2019 convened at 6:00 p.m. on the 19th day of February 2019 in the Multi-Use Room of the Walter J. Haberer Building, Rustburg, Virginia. The members present were:

Eddie Gunter, Jr., Chairman, Presiding	Concord Election District
James A. Borland	Spring Hill Election District
Bob Good	Sunburst Election District
Jon R. Hardie	Rustburg Election District
Susan R. Hogg	Timberlake Election District
A. Dale Moore	Altavista Election District
Charlie A. Watts II	Brookneal Election District

Present from the Campbell County School Board were:

Leon Brandt, Jr., Chairman, Presiding	Sunburst Election District
Barry Jones	Concord Election District
Mark Epperson	Spring Hill Election District
Gary Mattox	Altavista Election District
Dr. Scott Miller	Brookneal Election District
David Phillips	Rustburg Election District
Barbara Rypkema	Timberlake Election District

Also present were:

Frank J. Rogers, County Administrator
Clifton M. Tweedy, Deputy County Administrator
Catherine H. Moore, Clerk to the Board
Dr. Robert Johnson, Superintendent of Schools
Michelle McClanahan, Clerk to the School Board

Chairman Gunter called the meeting to order at 6:00 p.m. Chairman Brandt called the meeting of the School Board to order at 6:00 p.m.

Administrator Rogers advised the County's financial advisors would share with the Boards some of the work that focused on the School Capital Improvement Program (CIP). This was presented to the Joint Committee at its meeting last night. The Board of Supervisors had asked the Joint Committee to review the School CIP and in November 2018, the Joint Committee developed four options for review by the financial advisors. The four options were determined by reviewing the projects referenced in the 2015 adopted School CIP, adding a three (3%) percent inflation rate and adding a 10, 15 or 20 percent contingency cost depending on the project. The School CIP categorized projects as systems improvements, educational

improvements and a category described as “other.” The 2015 School CIP identified Rustburg Middle as the most critically needed facility and only included the costs for a new Rustburg Middle. The four options included varying degrees of replacement costs for Rustburg Middle. The costs were estimates only and would change as the scope of the projects was formalized.

David Rose and Roland Kooch of Davenport & Company, Richmond, Virginia, indicated its company was founded in 1863 and they had extensive experience working with local governments across Virginia and several other states. The information they would present was not a final product, but it was intended to be a tool to start a discussion of a capital improvement program for Campbell County. The four scenarios all included \$5 million in capital improvements for the County in addition to School improvements. Some of the financial information was presented using the value of a penny of real estate, which for Campbell County was \$441,000 per penny.

Mr. Rose first looked at the County’s current debt profile to determine if the County was in a position to take on a debt program. At the end of FY 2018, the County had a little more than \$32 million in debt which would be paid in 10 years. Because of this, the County was well poised to look at a major capital program because it would be possible to layer in additional debt without raising the current debt service payments. The County was effectively paying three cents of every dollar in debt service. Mr. Rose spoke to the importance of creditworthiness which would impact the cost of borrowing and the County’s debt capacity. The County currently did not have a credit rating, but would most likely rank in the AA category.

Before reviewing the four scenarios, Mr. Rose indicated staff asked them to determine if it would be in the County’s best interests to borrow for the upcoming \$3.5 million HVAC project at Brookville Middle School or should the County pay cash for the project. After looking at interest rates and terms, it was recommended the County pay cash for that project.

A summary comparison of the four (4) scenarios developed by the Joint Committee was presented. All four scenarios included \$5 million for County projects and all differed in the timing of the projects. The basis for all four scenarios is to pay off the debt in 20 years.

Scenario 1 was the base scenario at approximately \$71 million to include \$23 million in renovations to Rustburg Middle and systems improvements at three of the high schools, but not William Campbell. Scenario 1 could be funded by setting aside \$1.75 million each year in addition to the current annual debt service payment.

Scenario 2 at nearly \$93 million would include \$30 million in enhanced renovations to Rustburg Middle (system improvements and educational opportunities) and systems improvements at all four high schools. Scenario 2 could be funded by setting aside \$1.5 million in addition to the \$1.75 million increase in annual debt service.

Scenario 3 at \$177 million would include a new Rustburg Middle, systems improvements and educational opportunities at all four high schools. Scenario 3 included significant future tax rate increases in addition to the \$1.75 million in annual debt service.

Scenario 4 at \$92 million would include a new Rustburg Middle and systems improvements at all the high schools except William Campbell. Like Scenario 2, Scenario 4 could be funded by setting aside \$1.5 million in addition to the \$1.75 million increase in annual debt service.

Davenport & Company used a conservative approach to estimate the tax impact of each scenario. However, if the County chose to fund any costs upfront, generate additional revenue sources or obtain other financing opportunities, the impact would differ and minimize the potential equivalent tax impact overall. In addition, the timetable for projects could change which would also impact the costs and budget impacts.

Mr. Rose reiterated the scenarios were developed to start a discussion and the Boards may want to amend the scenarios as appropriate. Once the preferred scenario was selected, Davenport would develop a timetable to implement a plan of finance. This would include an analysis of available capital resources and development of a credit rating strategy. Mr. Rose assured the Boards Davenport would be aggressive to seek the best rates, but wanted to present the most conservative approach at this meeting.

There were some questions regarding the particulars of the different projects. Staff provided a spreadsheet showing a breakdown and the methodology to estimate the costs. Administrator Rogers recommended each of the Boards continue to have discussions on a capital improvement program and suggested the Joint Committee might be utilized as a working group to work through the various options and scenarios. Administrator Rogers indicated the capital projects on the County side would include Public Safety space and radio system needs.

Dr. Miller thanked the Joint Committee for getting the ball rolling and was appreciative of the financial information by Davenport & Company. It clarified to him how a County finances a \$90 million capital improvement program, and he was encouraged that Campbell County had the ability to finance a project of nearly \$100 million with little impact to the tax rate. He looked forward to ironing out the details and suggested the School Board take another look at the schools' capital needs to determine the educational needs of the children over the next 20 or 30 years and to bring the best value to the citizens.

Administrator Rogers clarified the scenarios used the value of a real estate penny to demonstrate the additional revenues needed in a given year, but the additional revenues could come from a variety of means, not just from tax increases.

Supervisor Good was also thankful the County was in the financial position it was, but credited it to the financial discipline the Board had taken to balance the budget without raising taxes. He recommended the County proceed with caution assuming debt as it could impact the County's cash flow down the road when more needs arise. Over the last three years revenues had grown by approximately \$5 million due to prosperity, good economic times and the County being business friendly and practicing strong fiscal management. He would advocate for modesty in proceeding with a capital program and allocate the growth in revenues towards priorities.

Supervisor Hardie commented that schools were an essential part of public services and they should be at a quality level. He looked forward to working with the School Board to provide those services to all of the areas of the County.

Supervisor Borland thanked Mr. Rose and Mr. Kooch for their work in putting together the information in a way to make it understandable. Chairman Gunter and Chairman Brandt also thanked Mr. Rose and Mr. Kooch for the information. Chairman Gunter added that quality schools were important for the future of the County, and he wanted to make sure a high quality school system was available for all students.

Supervisor Good reminded everyone the citizens would have an opportunity to weigh in on increasing County revenues with a vote on the Meals Tax Referendum on April 9th.

// ADJOURNMENT

On motion of Mr. Jones, the meeting of the School Board was adjourned at 7:41 p.m.

The vote was: Aye: Brandt, Epperson, Jones, Mattox, Miller, Phillips, Rypkema
Nay: None
Absent: None

On motion of Supervisor Borland, the meeting of the Board of Supervisors was adjourned at 7:41 p.m.

The vote was: Aye: Borland, Good, Gunter, Hardie, Hogg, Moore, Watts
Nay: None
Absent: None

EDDIE GUNTER, CHAIRMAN

Approved: _____