

**VIRGINIA:**

At a joint recessed meeting of the Washington County Board of Supervisors and Industrial Development Authority of Washington County held Tuesday, February 23, 2010, at 5:00 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

**PRESENT:**

**Board of Supervisors:**

Dulcie M. Mumpower, Chair  
Odell Owens, Vice-Chair  
Phillip B. McCall  
Nicole M. Price (arrived at 5:07 PM)  
Kenneth O. Reynolds  
Joseph C. Straten  
Thomas G. Taylor

Mark K. Reeter, County Administrator  
Lucy E. Phillips, County Attorney  
Mark W. Seamon, Accounting Manager  
Naoma A. Norris, Recording Clerk

**Industrial Development Authority of Washington County:**

Russell U. Owens, Chair  
Henry S. Snodgrass, Vice Chair  
Clarence B. "C. B." Hale  
Curtis R. Woodward (arrived at 5:41 PM)  
John B. Roberts, Sr. (arrived at 5:26 PM)

Joe Lyle, Legal Counsel

**Others Present:**

Roland Kooch, Davenport & Company

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**1. Call to Order**

**a. Board of Supervisors:**

The meeting was called to order by Ms. Dulcie M. Mumpower, Chair of the Board, who welcomed everyone in attendance. Ms. Mumpower noted that six of the seven Board members were present.

**b. Industrial Development Authority of Washington County**

The meeting was called to order by Mr. Russell U. Owens, Chair of the Industrial Development Authority of Washington County (IDA). Mr. Owens noted this was a recess meeting of the IDA.

Mr. Joe Lyle, IDA Legal Counsel, explained the IDA did not have a quorum.

**2. Approval of Meeting Agenda**

**a. Washington County Board of Supervisors:**

Mr. Reeter addressed the Boards and provided a statement regarding the purpose of the joint meeting.

Ms. Mumpower noted for those in the audience that a PowerPoint presentation regarding the Alpha building purchase will be made during the regular Board of Supervisors meeting, which follows this meeting at 6:30 p.m.

*On motion of Mr. Owens, second by Mr. McCall, it was resolved to approve the agenda as presented.*

*The vote on this motion was as follows: (7-0)*

<i>Mr. McCall</i>	<i>Aye</i>
<i>Ms. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Ms. Price</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Straten</i>	<i>Aye</i>
<i>Mr. Taylor</i>	<i>Aye</i>

**b. Industrial Development Authority of Washington County:**

*On motion of Mr. Snodgrass, second by Mr. Hale, it was resolved to approve the agenda as presented.*

*The vote on this motion was as follows: (3-0)*

<i>Mr. Hale</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Snodgrass</i>	<i>Aye</i>

**3. General Business:**

Mr. Reeter noted because the Board of Supervisors regular meeting begins at 6:30 p.m. this evening there is limited time for the presentation of the Plan of Finance. Therefore, he recommends allowing the presentation to proceed.

**a. Presentation of Final Plan of Finance for Acquisition of Alpha Natural Resources (ANR) Property for County Government Office Space**

Mr. Roland Kooch with Davenport & Company provided the Boards with a PowerPoint presentation concerning the final Plan of Finance for acquisition of the Alpha Natural Resources Property (Alpha building). He reviewed information presented at the January 19, 2010, Joint Board of Supervisors/IDA meeting and explained at that time the Davenport presentation recommended one permanent Plan of Finance to include the long-term financing of both the Alpha building and the Hawkins Payne property and road build-out. The key concept of this recommendation leaves the Hawkins Payne property unencumbered. If the Alpha building is not included in the financing, the Hawkins Payne property would most likely serve as collateral. Mr. Kooch further explained the Davenport presentation provided a detailed tax impact that included the equivalent tax impact of the Alpha building purchase among other existing and potential obligations. The Board of Supervisors at the January 19 meeting adopted a Resolution authorizing the acquisition of the Alpha building and related financing.

Mr. Kooch explained that based on subsequent discussions with Sands Anderson Marks & Miller, the County's Bond Counsel, about financing of the Alpha Building and Hawkins Payne land acquisition and road build out, it is the collective recommendation of Davenport and Sands Anderson Marks & Miller that a two phase Plan of Finance be implemented as follows:

Phase I: Taxable Bond Anticipation Note (BAN) for the initial purchase of the Alpha building

Phase II: Permanent tax-exempt financing at a subsequent date to include the long-term financing of the Alpha building; Hawkins Payne property/road build-out and other potential needs as may be deemed appropriate by the Board.

Mr. Kooch next explained the rationale for the two phases of the Plan of Finance is based on the following key considerations:

**1. Coordination of Timing – Alpha Building Purchase and Hawkins Payne Build Out**

- The use of the BAN allows the County to close on the purchase of the Alpha building by April 1, 2010, and include (in a combined long-term tax exempt financing with Alpha building) the Hawkins Payne property/road construction as those costs become known.

**2. Flexibility with Respect to Other Potential Needs**

- BAN can be prepaid as early as December 1, 2010, and provides the ability to incorporate all other key variables (i.e. potential Hawkins Payne grant funding and other project needs).
- Ability to issue one bank qualified tax-exempt financing due to the temporary \$30 million limit, which expires on December 31, 2010.

**3. Allows the County to Incorporate Definitive Numbers into the FY 2011 Budget**

- Provides the County with the ability to incorporate known impacts for the Alpha revenues and debt service.

#### 4. Certainty of Transitional Revenue

- Permanent financing would occur after the county has more certainty on the amount of one-time transitional revenue and how best to use those monies as identified in Davenport's January 19, 2010, presentation.

At this time discussions ensued among the Board and Mr. Kooch.

Mr. Odell Owens asked if the Alpha building acquisition is key to the Plan of Finance because it could be the collateral for the entire financing plan.

Mr. Kooch explained the purchase of the Alpha building allows the County to consolidate the Hawkins Payne property/road construction into one financing. Therefore, leaving the Hawkins Payne property unencumbered to be used for economic development.

Mr. Taylor explained if the Hawkins Payne property were used as collateral for the financing and then the County had an industrial prospect interested in purchasing the property, the County would have to get permission from the bond holders before the property could be sold. Therefore, using the Alpha building as collateral means the Hawkins Payne property is free to use for economic development.

Mr. Kooch stated that was correct and explained if the Hawkins Payne property acquisition were a single financing, the property would be encumbered. There would need to be a prearranged agreement for the property to be used as an economic development incentive, or the County would have to seek permission from the bond holders to release that collateral so the property could be used for economic development. This can be difficult.

Further discussions ensued concerning this issue.

Ms. Price explained it was her understanding a single phase financing would save the County money. Now, a two phase financing has been recommended with justifications. She asked if this would be more costly to the County.

Mr. Kooch explained when the numbers were ran on a two phase financing plan the debt service impact to the County was considered. The issue with two financings is you do not get the economies of scales received with one financing. Also, to the extent the County could lock in financing for the long term piece there could potentially be a reduced interest rate exposure. This is the difference in terms of what would be potential savings.

Ms. Price stated two financings would mean additional costs to the County.

Mr. Kooch stated that was correct.

Next, Mr. Kooch reviewed the recommended Plan of Finance Details as follows:

- Phase I of the Plan would be financed through a taxable BAN and would close by April 1, 2010. The financing structure would be a Lease Revenue BAN issued by the IDA and collateralized by the Alpha building and a moral obligation of the County. He explained the County would own the building and assign a Ground Lease to the IDA as collateral for the financing. The financing lease would be between the County and the IDA, whereby the County leases the building at payments equal

to the debt service. Payments are moral obligation of the County, subject to appropriation. The term would be for approximately 18 months. The BAN provides the ability to prepay without penalty on or after December 1, 2010. Mr. Kooch noted that because the Hawkins Payne property would be included in the Alpha Building acquisition financing there is a need to be careful about the length of the financing term and consider how long the tenant will be in the Alpha building.

- Phase II financing would be tax-exempt long term bonds (bond). The closing could be as early as December 2010 and could be structured as bank qualified. If the closing for Phase II is after December 2010, the bond could still be tax exempt, but would not be bank qualified. The collateral would be the same as Phase I. The bond proceeds would provide permanent financing of the Alpha building and Hawkins Payne property/road build-out as costs and other projects/sources of funding become known in the next ten to twelve months. The term for the bond is to be determined up to 30 years. The prepayment is a standard ten year optional prepayment provision without penalty.

Mr. Reeter interjected the Board will consider these decisions in the FY 2010-11 budget cycle.

Mr. Kooch reviewed the benefits to the County of the proposed two phase Plan of Finance as follows:

- Allows County to Provide Essential Collateral (Alpha building) and Coordinate the Total Long-Term Financing to Include the Hawkins Payne Road Build-out
- BAN is Cash Flow Neutral/Net Revenue Benefit to the County via Lease Payments from Alpha.

Mr. Kooch noted a key point is the annual rental payments from Alpha are anticipated to provide net revenue upwards of \$650,000 to the County after debt service payments.

- County is Financing at Historically Low Interest Rate Environment
- Provides Flexibility in the Determination of Other Projects/Potential Grants/Use of Transitional Revenue to be Incorporated by County as Deemed Appropriate with Phase II Long-Term Financing

In concluding his presentation, Mr. Kooch reviewed the preliminary financing calendar and noted the important dates as follows:

March 9, 2010	Joint County and IDA Board Meeting to approve POS, BAN documents and authorize Resolutions adopted by the County and IDA in order to formally
March 23, 2010	BAN pricing and sale to potential investors – “lock-in” interest rates
March 31, 2010	Closing and transfer of fund to County/Purchase of Alpha building

*Scrivener's Note: The PowerPoint Presentation referenced above is included as Minutes Exhibits Item 2010-02-23-1-A.*

**b. Roundtable Discussion and Questions by Board of Supervisors and Industrial Development Authority**

A period of discussion ensued among the Boards.

There were discussions between Ms. Price and Mr. Kooch concerning the costs of the two phase plan of finance.

Mr. Taylor inquired if the \$60,000/month lease payments from Alpha would be paid to the IDA.

Ms. Phillips explained the tentative arrangement is between the County and IDA. The County will purchase the Alpha building and ground lease the building to the IDA. Then the IDA would lease the building to Alpha. The lease revenue proceeds would be assigned by the IDA to the County to fund the BAN. Ms. Phillips said in a practical sense the funds would come from Alpha to the County.

At this time, IDA Chairman Russell Owens asked that it be noted for the record the arrival of IDA Member John Roberts, and the IDA now has a quorum.

Mr. Taylor stated that any additional sources of revenue that would come into the County between now and the time for permanent financing of the Alpha building could be used to repay the financing without the need to raise the real property tax rate.

Ms. Mumpower stated that Mr. Taylor's comments are important because the County does not know at this point if an increase in the real property tax rate would be needed in regards to the acquisition of the Alpha building. She stated the hope is that the economy will get better in the near future. Ms. Mumpower discussed the struggles faced by the County Facilities Committee with identifying suitable, user friendly office space that would meet the needs of the County citizens. The decision to purchase the Alpha building has been given thorough consideration by the Board of Supervisors and IDA. It is unfortunate the opportunity to purchase the Alpha building has come at a time when the economy is bad.

Mr. Reynolds stated that the County has considered many options in regards to County Government office space. The Alpha building is the most affordable option to the County to provide services its citizens.

Mr. Reeter explained that the third joint meeting of the Board of Supervisors/IDA scheduled for March 9 prior to the Board's regular meeting is now proposed to be scheduled on March 8 beginning at 6:30 or 7:00 because of the number of documents that will need to be reviewed by Dan Siegel, the County's Bond Counsel and acted upon by both bodies.

Ms. Mumpower again noted for those in the audience that a PowerPoint presentation regarding the Alpha building purchase will be made during the regular Board of Supervisors meeting, which follows this meeting at 6:30 p.m. She hopes the presentation will answer the citizens' questions.

**4. Adjourn or Recess**

**a. Washington County Board of Supervisors:**

*On motion of Ms. Price, second by Mr. Owens, it was resolved to adjourn the meeting.*

*The vote on this motion was as follows: (7-0)*

<i>Mr. McCall</i>	<i>Aye</i>
<i>Ms. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Ms. Price</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>
<i>Mr. Straten</i>	<i>Aye</i>
<i>Mr. Taylor</i>	<i>Aye</i>

**b. Industrial Development Authority of Washington County**

*On motion of Mr. Snodgrass, second by Mr. Roberts, the IDA acted to recess the meeting until Monday, March 8, 2010, 6:30 p.m. for a joint meeting with the Board of Supervisors.*

*The vote on this motion was as follows: (5-0)*

<i>Mr. Hale</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Snodgrass</i>	<i>Aye</i>
<i>Mr. Woodward</i>	<i>Aye</i>
<i>Mr. Roberts</i>	<i>Aye</i>

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**Prepared by:**

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Naoma A. Norris, Recording Clerk

**Approved by the Washington County Board of Supervisors:**

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Dulcie M. Mumpower, Chairman