V I R G I N I A:

At a recessed joint meeting of the Washington County Board of Supervisors and Virginia Highlands Airport Authority held Wednesday, September 19, 2012, at 6:30 p.m., at the Virginia Highlands Airport in Abingdon, Virginia the following were present:

PRESENT:

Board of Supervisors:

Joseph C. Straten, Chairman
Phillip B. McCall, Vice Chairman
William B. Gibson
Dulcie M. Mumpower (arrived at 6:50 p.m.)
Odell Owens
Randy L. Pennington
C. Wayne Stevens, Jr.

Nadine S. Culberson, County Administrator
Lucy E. Phillips, County Attorney
Naoma A. Norris, CAP, Executive Assistant/Recording Clerk

Virginia Highlands Airport Authority:

Frank M. Buchanan III, Vice Chairman
David G. Anderson
Edward "Earl" Maine
David N. Matlock
John Russell White

Mickey Hines, Airport Manager
Kristy Miller, Airport Assistant Secretary

Others Present:

Roy Lewis, Vice President/Director of Planning, Delta Airport Consultants, Inc.
Roland Kooch, Davenport & Company

ABSENT:

Virginia Highlands Airport Authority:

Stephen R. Lowe, Chairman
John Matney

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1. Call to Order

Board of Supervisors:

The meeting was called to order by Mr. Joe Straten, Chairman of the Board, who welcomed everyone in attendance.

Virginia Highlands Airport Authority:

Mr. Frank Buchanan, Vice Chairman, called the Special Meeting of the Virginia Highlands Airport Authority to order.

Mr. Buchanan provided a statement regarding the purpose of the Airport Authority's Special Called Meeting.

2. Invocation and Pledge of Allegiance

Supervisor Randy Pennington gave the Invocation and led the Pledge of Allegiance.

3. Approval of Meeting Agenda

Board of Supervisors:

On motion of Mr. Owens, second by Mr. Stevens, the Board acted to approve the meeting agenda as presented.

The vote on this motion was as follows: (6-0)

Mr. Gibson	***Aye***
Mr. McCall	***Aye***
Mr. Owens	***Aye***
Mr. Pennington	***Aye***
Mr. Stevens	***Aye***
Mr. Straten	***Aye***

Virginia Highlands Airport Authority:

On motion of Mr. Maine, second by Mr. Matlock, the Airport Authority acted to approve the meeting agenda as presented.

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

Mr. Anderson	***Aye***
Mr. Buchanan	***Aye***
Mr. Maine	***Aye***
Mr. Matlock	***Aye***
Mr. White	***Aye***

4. Presentation Concerning Financing Land Purchase for Virginia Highlands Airport Runway Expansion Project

Mr. Roland Kooch with Davenport and Company addressed the group and presented the Preliminary Plan of Finance for the Virginia Highlands Airport Expansion Project. Mr. Kooch explained the goal of the presentation is to review the proposed Plan of Finance for the Virginia Highlands Airport Runway Expansion Project. In particular, Project Category 1 – Land Acquisition and Project Category 2 – Relocation of State Route 611 of the Project.

Mr. Kooch reviewed background information about the mission and responsibilities of the Virginia Highlands Airport Authority and talked about past financings by the Authority for capital projects, and the County providing its Moral Obligation to make up any shortfall in debt service.

Mr. Kooch next provided a review of the Project explaining that the Airport is planning the extension of Runway 6, which is a multi-year $35.1 million Project that is anticipated to occur over the FY 2013 through FY 2020 time frame. Preliminary Project development costs are as follows:

Project Category 1 – Land Acquisition	$41,150,000	FY 2013
Project Category 2 – Relocation of State Route 611	$ 3,575,000	FY 2014-2015
Project Category 3 – Wetlands Mitigation Payment	$ 1,100,000	FY 2016
Project Category 4 – Runway & Parallel Taxiway Extension	$26,300,000	FY 2015-2020
Total Costs	$35,125,000	

Mr. Kooch explained of the total project cost approximately 98% is eligible to be funded from federal (FAA) and state (DOAV) monies. The Authority's local obligation for Project Categories 1 and 2 only is anticipated to be 2% of $7,725,000 or approximately $154,500. For all Project Categories (1 through 4) above the local match is anticipated to be 2% of $35,125,000 or approximately $702,500.

Mr. Kooch explained there is a challenge because the majority of the Project is funded from FAA and DOAV sources to be received over the next several years, the Authority will need to bridge finance approximately $8 to $10 million of expenditures from FY 2013 through FY 2015 (and possibly FY 2016 and beyond) all in anticipation of receiving the grants over the next fiscal years.

The goals and objectives of the Project are to:

- Implement a flexible Plan of Finance that provides sufficient ability to fund the first $8 to $10 million of Preliminary Project Development Costs for the Project as needed over the next several fiscal years.

- In order to reduce the cost of funds to the Authority, leverage Washington County's strong credit rating with a Support Agreement for the Plan of Finance that provides for a Moral Obligation.

- Take advantage of the historically low interest rate environment for financing.

- Evaluate the costs and benefits of a Plan of Finance which contemplates using a Taxable up to five year Revolving Line of Credit.

Mr. Kooch next presented the proposed Plan of Finance Taxable Line of Credit as follows:

Key assumptions include a taxable short-term variable rate financing in the form of a five year Revolving Line of Credit and borrow on the Line of Credit as funds are spent over the next several fiscal years.

The proposed Plan of Finance scenarios are:

Scenario 1 assumes the following:

- Spending for Project Categories 1 and 2;
- Optimal historic FAA reimbursement practices, whereby grants are received in 12 months; and
- The Authority contributes $75,000 annually toward the interest carrying cost.

At the end of the five year period, the Plan of Finance will result in a projected carrying cost of $317,000, of which the County's net potential responsibility is approximately $59,000.

Scenario 2 assumes the following:

- Spending for Project Categories 1 and 2;
- Delayed FAA reimbursements, whereby grants are received in 36 months; and
- The Authority contributes $75,000 annually toward the interest carrying cost.

At the end of the five year period, the Plan of Finance will result in a projected carrying cost of $525,000, of which the County's net potential responsibility is approximately $173,000.

Mr. Kooch explained that Davenport respectfully recommends that the Authority pursue the Taxable Line of Credit for the following reasons:

Structure:

The Taxable Line of Credit option enables the Authority to have a revolving facility with a smaller overall borrowing size. The smaller transaction allows the Authority to incur a reduced carrying cost on the interim financing.

Cost of Funds:

In the current historically low interest rate environment the Taxable Line of Credit has a very competitive variable interest rate and when combined with the smaller borrowing size provides for the most cost effective interim financing.

Flexibility:

The Taxable Line of Credit structure provides the greatest flexibility for the Authority to manage its capital spending in anticipation of receiving grant funds over the project development time frame.

This concluded Mr. Kooch's presentation.

At this time substantial discussions ensued among the group and Mr. Kooch regarding the proposed Plan of Finance for the Airport Expansion Project and issues relating to the expansion project. The following action was taken by the Board of Supervisors:

On motion of Mr. McCall, second by Mr. Owens, the Board acted to request that the Virginia Highlands Airport Authority proceed with the proposed Plan of Finance Taxable Line of Credit with the Board of Supervisors support.

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

Mr. Gibson	***Aye***
Mr. McCall	***Aye***
Ms. Mumpower	***Aye***
Mr. Owens	***Aye***
Mr. Pennington	***Aye***
Mr. Stevens	***Aye***
Mr. Straten	***Aye***

5. <u>Adjourn or Recess</u>

Board of Supervisors:

On motion of Mr. Stevens, second by Ms. Mumpower, it was resolved to adjourn the meeting.

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

Mr. Gibson	***Aye***
Mr. McCall	***Aye***
Ms. Mumpower	***Aye***
Mr. Owens	***Aye***
Mr. Pennington	***Aye***
Mr. Stevens	***Aye***

Mr. Straten ***Aye***

Virginia Highlands Airport Authority:

On motion of Mr. Matlock, second by Mr. Maine, the Virginia Highlands Airport Authority adjourned the meeting.

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

Mr. Anderson ***Aye***
Mr. Buchanan ***Aye***
Mr. Maine ***Aye***
Mr. Matlock ***Aye***
Mr. White ***Aye***

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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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Joseph C. Straten, Chairman