BOARD OF SUPERVISORS
REGULAR MEETING
MAY 24, 2016

At a regular meeting of the Board of Supervisors of Floyd County, Virginia, held on Tuesday, May 24, 2016 at 6:00 p.m. in the Board Room of the County Administration Building thereof;

PRESENT: Case C. Clinger, Chairman; Joe D. Turman, Vice Chairman; J. Fred Gerald, Linda DeVito Kuchenbuch, Lauren D. Yoder, Board Members; Terri W. Morris, County Administrator; Cynthia Ryan, Assistant County Administrator.

Chairman Case Clinger called the meeting to order at 6:00 p.m. with the reading of the handicapping statement.

The Opening Prayer was led by Supervisor Gerald.

Chairman Clinger led in the Pledge of Allegiance.

On a motion of Supervisor Gerald and seconded by Supervisor Kuchenbuch, and carried, it was resolved to go into closed session under Section 2.2-3711, Paragraph A.1, Discussion, consideration, or interviews of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body.

Supervisor Gerald – aye
Supervisor Kuchenbuch – aye
Supervisor Turman – aye
Supervisor Clinger – aye
Supervisor Yoder – absent

Supervisor Yoder joined the meeting at 6:10 p.m.

On a motion of Supervisor Turman, seconded by Supervisor Gerald, and unanimously carried, it was resolved to come out of closed session.

Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye

On a motion of Supervisor Gerald, seconded by Supervisor Kuchenbuch, and unanimously carried, it was resolved to adopt the following certification resolution:

CERTIFICATION RESOLUTION
CLOSED MEETING

WHEREAS, this Board convened in a closed meeting on this date pursuant to an affirmative recorded vote on the motion to close the meeting to discuss personnel in accordance with Section 2.2-3711, Paragraph A.1 of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby certifies that, to the best of each member's knowledge (1) only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act were heard, discussed or considered in the closed meeting to which this certification applies; and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting to which this certification applies.

Supervisor Yoder – aye
Supervisor Kuchenbuch – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye

Agenda Item 5. – Chairman Clinger called for the Public Hearing on the proposed Floyd County budget and tax rates for FY17.

Ms. Morris read the call for the Public Hearing and noted that it was published in the May 12, 2016 edition of The Floyd Press.

The Chairman declared the Public Hearing open.

After no comments from the audience, the Chairman declared the Public Hearing closed.

Agenda Item 8. – Approval of month-end disbursements.

On a motion of Supervisor Turman, seconded by Supervisor Yoder, and unanimously carried, it was resolved to approve month-end disbursements for May 2016.

Supervisor Gerald – aye
Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Clinger – aye

Agenda Item 9.a. – School Board request to transfer $45,000.00 in Revenue appropriation authority from County Funds Operational to County Funds Capital Outlay.

Ms. Morris explained that the request for the transfer from Operational to Capital Outlay was for the purchase of six used school buses.

Supervisor Kuchenbuch asked if used school buses had been purchased in the past?

Chairman Clinger said yes and we prefer to buy used school buses.

Supervisor Yoder said he talked to several school bus drivers and they said it was a big improvement. They are very happy.

Ms. Morris said they had several buses available on sealed bid and they gave one bus to the County for the use of the engine in the Recycling truck.

On a motion of Supervisor Yoder, seconded by Supervisor Gerald, and unanimously carried, it was resolved to approve the transfer of $45,000.00 in revenue appropriation authority as presented from County Funds Operational to County Funds Capital Outlay in the FY16 Floyd County School Board budget.

Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye

Agenda Item 9.b. – School Board request to receive an additional $90,096,04 in Revenue appropriation authority from various categories.

Ms. Morris explained that the additional revenue was from a combination of federal, state, and other funds.

On a motion of Supervisor Turman, seconded by Supervisor Kuchenbuch, and unanimously carried, it was resolved to approve the request to receive $90,096.04 in Revenue appropriation authority into various categories in the FY16 Floyd County School Board budget.

Supervisor Yoder – aye
Supervisor Kuchenbuch – aye
Supervisor Gerald – aye
Supervisor Turman – aye
Supervisor Clinger – aye

Agenda Item 9.c. – School Board request to expend an additional $90,096,04 in Expenditure appropriation authority in various categories.

Ms. Morris explained that this request is to expend the additional $90,096.04.

Chairman Clinger asked if we knew if this request had been approved by the School Board?

Ms. Morris replied that she was not sure if it had been approved by the School Board.

Supervisor Kuchenbuch said this request does not have as much detail as she would like to see.

Chairman Clinger said we could send the request back for more clarification.

Supervisor Kuchenbuch read "will be applied to cost centers within the Instructional category" is vague.

Supervisor Yoder pointed out that we can't control it.

Supervisor Kuchenbuch agreed that we can't control it but it would be nice to know more. With as much technology as we need it is disappointing that only $1,500.00 is going toward that, but like you say we can't control it.

Chairman Clinger replied that we can control it in the grand scheme of things as far as categories. They are still within their operating budget. A lot of this is a windfall from the higher ADM.

Supervisor Yoder asked if the next School Board meeting is June 7, which would mean that we would not approve this until the end of June?

Supervisor Kuchenbuch pointed out that school will be out by then.

Chairman Clinger said we are just asking for clarification. According to State Code the Board has to request this, so if they tell us the Board approved it, then the next question is clarification.

Supervisor Kuchenbuch asked when is their meeting?

Supervisor Yoder replied their meeting is the night after our meeting. So if we put it off they are going to have to spend this money in two days and sometimes that is wasteful.

Vice Chairman Turman said I am sure they have already figured out where they are going to spend it.

Ms. Morris replied that the short timeframe is hard on staff.

Supervisor Yoder said I wouldn't want to do it to our staff.

Supervisor Kuchenbuch replied I think these concerns need to be addressed. It is a windfall; it is great. They've got it, let them spend it. But if we are working toward being more open I want to see that.

Chairman Clinger said that is what I am getting at. These are clerical things and can be taken care of before our June 14 meeting. That would still give them over two weeks.

Supervisor Yoder pointed out that the federal revenue has to be spent in those programs.

Supervisor Kuchenbuch pointed out that over $82,000.00 of the revenue came from the State.

Chairman Clinger said most of that is from the ADM. We knew coming into it that it was low and that there was going to be money there at the end.

A motion was made by Supervisor Yoder and seconded by Supervisor Kuchenbuch to approve the request to expend an additional $90,096.04 in Expenditure appropriation authority in various categories in the FY16 Floyd County School Board budget.

Supervisor Gerald – abstain
Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Turman – no
Supervisor Clinger – no

Motion failed for a lack of a majority vote.

Chairman Clinger asked Ms. Morris to pass along to the School Board the concerns the Board of Supervisors had and that we would be glad to put it on the June 14 meeting agenda. If it has been approved by the School Board, then there is Supervisor Kuchenbuch's point.

Supervisor Kuchenbuch expressed her desire to have a little bit more information.

Agenda Item 9.d. – Appointment to New River Community College Board, 4 year term.

Ms. Morris explained that the appointment to the New River Community College Board would begin on July 1, 2016. We have received two letters of interest.

Chairman Clinger said we have interviewed both of amply qualified candidates.

On a motion of Supervisor Yoder, seconded by Supervisor Kuchenbuch, and carried, it was resolved to reappoint Michael Patton to a 4 year term on the New River Community College Board effective July 1, 2016.

Supervisor Gerald – abstain
Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Turman – abstain
Supervisor Clinger – aye

Agenda Item 9.e. – Appointment to the Montgomery-Floyd Regional Library Board, 4 year term.

Ms. Morris explained that one letter of interest had been received and she understands that she will be receiving another one. The interviews with the applicants can be scheduled for the next meeting.

Agenda Item 9.f. – Appointment to the New River/Mount Rogers Workforce Development Board.

Ms. Morris said we still do not have any letters of interest for the Workforce Development Board.

Agenda Item 9.g. – Appointment to the Social Services Board, Locust Grove District, fill unexpired term to June 30, 2018.

Ms. Morris said we received a resignation letter from Mr. Keister who served as the Locust Grove appointee. Should I advertise this or do you have someone in mind? How would you like me to proceed?

Supervisor Yoder asked if the gentleman who served before that was term limited because he could not serve another consecutive term, could we reappoint him? I know he hated to go off the Board and he served as Chair and did a really good job. I haven't talked to him. But I thought if you wanted a good candidate he would be a good person to talk to.

Ms. Morris said she would investigate if a person who previously served has to stay off the Board for an entire term or not.

Agenda Item 6. – Public Comment Period.

Chairman Clinger called for the Public Comment Period.

Mr. Joshua Bonds, Burks Fork District, Thank you all for being here and serving. I know it is a hard job to deal with all the characters in this county. What I have is related to the dumpsters. I was looking at the agenda and there is a Solid Waste meeting coming up which this might be better suited for. On Facebook there were a couple of threads, back and forth, about the cleanliness of the dumpsters. I had a few ideas. First of all I think we could do a better job with the signage. I had a sign made for interest. I think if we had a little bit better suggestive sign that we might get people to participate in cleaning up their mess. It takes a lot of work to keep stuff clean and people are lazy. If we could get some better support. I will say this is more of a community problem than a Board of Supervisors problem. However I think if we had your support, I think it would help out. Maybe tops on the green boxes; maybe painting the green boxes. They are rusted. Of course I totally understand a limited budget which you have to work with. Maybe mowing around the different sites. Kind of keep areas clean. First some different signage maybe entering the areas or on the green boxes itself. I think if we all work together and kind of direct some of the funds to improve what we have it would help out. I'm sure you could easily search around and find the threads that are floating out there. That is all I have. [Mr. Bonds presented the sign he had made to Ms. Morris.]

Chairman Clinger asked if he could bring 148 signs?

Mr. Bonds laughed and said you can actually get them made fairly reasonable at $4.00 per piece. Anybody knows how to get hold of me after the meeting.

Ms. Meghan Dillon, Little River District, I too was recently taking note of the interest on Facebook about the green boxes. I didn't know what a green box was. I have recently founded a not-for-profit called Environmental Scavengers. Our main focuses are environmental consulting, education, and trash cleanup. Our first two events eliminated 480 pounds of trash from Silver Leaf Lane and Rock Castle Creek in Patrick County.

The reason Environmental Scavengers focuses on trash cleanup events with the community is because trash is dangerous to wildlife and humans. Many forms of trash contain chemicals that break down and form pollutants that eventually end up in soil or water. Sometimes these pollutants find their way back to us through the food chain or direct contact. There are increasing stories of people being cut by trash that ends up in water bodies or recreational areas. Some of these stories involve children. Sharp trash such as glass and metal can injure animals by abrasion and puncture wounds. Other types of trash like metal cans, and woven plastic or six pack containers can strangle or entangle animals usually ending up in death.

While engaging with the community I found that the green boxes are of great concern to residents and visitors. Neither our planet, nature, nor any spiritual power created trash. It is our responsibility to clean it up and maintain our waste. Besides trash being dangerous, it is also down right disrespectful to trash our community, and our planet. Those with integrity would like to do something about the green boxes and I have some suggestions to improve the situation for all involved.

First, I propose that fences be erected around the green boxes to keep loose trash from littering the areas around them. Trash migrates and often ends up in creeks, rivers, lakes and eventually could find its way into the ocean. I don't think it would be a great expense to the community, but fences would be a way to keep the trash from drifting away from the location of the green boxes. I think property and home owners would be grateful for such a development.

Second, I propose that the areas with green boxes be paved with concrete in order to be easily cleaned and perhaps more attractive. Beautification projects have proven to reduce crime rates and increase respect and involvement for communities that have participated in these efforts.

Third, I believe that there has been some local dueling of graffiti artists in our community. This brought an idea to my mind about how we could possibly harness our local artistic talent in a beautification effort. If it pleases the Board and the community, I think electing a few local artists to come up with an idea to paint themed murals on the green boxes could be fun, engaging, and pleasing to all involved.

Lastly, I heard that people leaving trash outside the dumpsters is sometimes disturbing to others. I've lived in communities that allotted a space for people to bring, or put things that they want to offer for free to the public before being trashed. This would require some regulation and perhaps a sign requesting it be disposed after a certain period of time from those who left it. However, there could be a space at certain dump sites allotted for such a thing to happen in an organized manner. I'm not sure I believe people are inherently lazy but I think we need some organization to bring out the goodness in people. Thank you for hearing my ideas and I hope I can be of service to the community.

Agenda Item 7. – Davenport & Company – Presentation on Results of Request for Proposals on Debt Refinancing.

Members of the Economic Development Authority (EDA) joined the meeting, including Jon Beegle, Kerry Underwood, Leon Moore, George Nester, David Ingram, Dan Vest. Staff members Lydeana Martin and Katie Holfield were also in attendance.

Mr. David Rose from Davenport & Company said when I was here last month, I gave an overview of the County at that time. We talked about where the County was positioned financially, its debt levels, what it could potentially even do theoretically with some future capital needs. I think the upshot of it all is that the County is in a very solid position. As a result of that we talked about while interest rates are favorable, because the County is solid, because we thought there would be interested parties why not take a look at possibly trying to even further reduce interest rates in debt service and simultaneously in one or two instances try to lock in rates a little bit longer. Particularly with the Branwick Center reset which I'll talk about in a minute. The idea was to limit that exposure interest rate wise.

The Board gave us the ability to move forward. Everything we did I worked with your bond counsel that is Sands Anderson out of Richmond and out of this area right here up in the Radford area. While they are not here tonight, they are part and parcel to our information we are prepared to talk about. One thing I must tell you, we are not here tonight to ask you for any decisions. This is meant as educational only. The thought here is that there is a lot of material; a lot of stuff that we discovered so we will talk about a schedule a little bit later. But we want to start the dialogue. As I indicated to you the last time we had no idea if we would get anything tangible. I'll leave it to you to decide if it is tangible. We'll give you our perspective on it if you want it. Let me then just dive right in.

What we did was take a look at a dual track strategy. One of which was to talk directly to local and regional banks. That was the first track. The second track was to talk to a state agency called the Virginia Resource Authority (VRA) that we have served as an advisor on for many years. They have the backing of the Commonwealth. They have been around since I can recall, 1983 or 1984. They do a great deal of borrowing on behalf of local governments. With that said we want to give you what we got from them based on that dual track.

Let me start by going to page 2 and just highlighting a few things. First of which is what your existing debt profile looks like. It basically consists of two components of either county debt or school debt. In reality it is all county debt, but we wanted to differentiate that. This is nothing new. You saw that last time. For the folks here on the EDA we wanted you to see that. There are a couple of important things I would like to point out. One is that the debt continues to drop down. That is a good sign. It drops down very quickly in basically a decade from now. That is a good situation to be in because ultimately we know there are going to be needs. Every county has them. It is just a matter of when or how many. That puts you in a good position. I will add that we are only talking tonight about refunding. We are not talking about extending any debt, just simply trying to change a higher interest rate for a lower interest rate. That is important to point out.

The second thing I want to point out about this page is that is has a payout ratio. What that means is how much principal of that debt will be paid off over the next 10 years. You are at 87%. That is very, very strong. Let me give you a perspective. If you are fortunate to have a home and you have a home mortgage of $100,000. That means that 10 years from now $87,000 of that principal will be paid off. You would only owe $13,000. That gives you a sense of how fast your debt is being paid off. Having said that the average homeowner with a 30-year mortgage after 10 years basically is lucky to have $.25 on the dollar paid off. So you are in a good position. That is important to frame everything as we go forward. One of the things I would say if I could to the EDA is that we are talking also if the folks would like us to, to be thinking about capital needs over the next 5 and 10 years. We are not thinking only about this refinancing. That is another part of the equation.

On page 3 it simply shows you that we are in a very favorable environment. You all know that. The other thing we wanted to point out is on the right hand side. That is a 3 ½ year snapshot, but what you will notice is that rates can move very, very quickly. We know the federal reserve wants to raise rates. They tried and did raise it once. When they raised it, the actual rates came down. So go figure. We don't pretend to know where rates are going except to say except when they are this low there is not a lot of chance that rates can go much lower. I say that with one more caution and that is you look to some foreign countries and they are at 0% interest rate. It is possible. Having said that certain of the banks who gave us bids gave them to us in such a way that we could always refinance at any time without penalty. So if rates fell considerably lower we would not lose that opportunity. With VRA on the other hand, we will not have that opportunity nearly as easily because of the way they structure their debt. I want to point that out as well.

On page 4 we have another series of benchmarks on interest rates called the taxable rates. I wanted to show you that because the 20-year loan we are going to talk about is taxable and that is the Branwick Center.

On page 5 the first loan we would like to talk about is currently taxable. It is held by the Bank of Floyd and it is the 2013 Branwick Center loan. This loan basically goes out to 2034. It has a long time to go, but it only has an interest rate locked in for the next 2 ½ years. What the bank structure did as part of this originally, every 5 years that rate gets adjusted by the bank. That rate on January 1, 2019 will cease to be 3.10% in the current environment. We asked what can we do to possibly limit that exposure to add to the interest rate certainty. In a few minutes I will tell you what we got. You pay debt service as if it is amortized up to 2034. This loan is taxable.

On page 6 we looked at and identified among your other debts four possible tax exempt loans. You can see there on the left hand side those are the loans with varying interest rates. All of those for the moment look like they might be possible refunding candidates. I will jump ahead and tell you two of the four actually work as refunding candidates. Two from our perspective did not give appreciable savings. Part of that work was to get all the results back from the various lenders.

On page 7 as I mentioned earlier, we did a dual track approach. I would like to make a couple of comments here. One is the VRA which is what we call a public approach. It will sell bonds in a pool this summer. It typically finances twice a year, but because rates are so low, they are doing it three times this year. That pool this summer probably will not sell until the end of July. We have somewhat of a loose date that they have given us. Until they sell that we do not know what the savings, if any, would be. Because it gets locked in on that date. The opposite of the dual track side of it is the banks. They have given us locked-in rates. We have a bird in the hand and something out there looming that may be better.

The other thing about this is we have not yet been approved by VRA credit-wise. We don't anticipate a problem, but that is just their process. That is the way they work. They make their final decisions for everybody by June 10. As best as I can tell you meet June 14. We would know by then what VRA said. We would also have some updated numbers for you by June 14. That is why we are not asking you to come to some conclusion today, plus there is a lot of information to look at.

The best way to know if you have good standing is when you put out a bid and you ask people to respond, do they respond. We received four different banks that bid. I understand Grayson is now merging with Bank of Floyd but they submitted as a totally separate entity. It wasn't a joint bid. They didn't mimic each other. I think it is an important point because until the merger occurs they view themselves corporately and legally as a separate entity and they are doing it that way.

Mr. Leon Moore asked to how many banks was the request for proposals sent?

Mr. Rose responded that the request for proposals was sent out statewide. I would say the last number is in the 40s. For example, Powell Valley Bank, which is a bank in far southwest Virginia, they liked this but it is beyond their territory. They are not coming over to here but they liked it. We get that kind of feedback. From our perspective to be where you are and to have four banks including BB&T which is really a national bank and is throughout Virginia and headquartered in North Carolina.

On page 8 you can see that two of the four make sense. We have a threshold in our industry. The state follows this as well. To go forward on a refinancing you need to achieve 3% in present value savings. People can move numbers around in a whole lot of ways, but you can't change that calculation. It is mathematically impossible. Two of the four candidates meet or exceed that 3%. The others, for example, are like 1% and less than 1% and we don't think that justifies moving forward with a savings of that diminitus.

On page 10 is the Branwick Center loan. We tried to compare where you are now to where you could potentially be based on their proposal. The best proposal, not surprisingly, the Bank of Floyd came through. In the green on the left-hand side is the interest rate of 3.10% that is locked in for the next 3 payments to January 2019. The rate after that for the remaining 15 years is reset five years at a time. The loan is now prepayable without penalty. Your debt service right now is basically $73,700. We showed if the rate were to stay the same at 3.10% what it would be in the future. However we showed you how interest rates can move. We are looking at a taxable rate that is at 40-50 year lows.

What the bank is proposing is they would continue that rate at 3.10% out to 2019. Following that they would lock in today a known rate of 3.60% for 7 ½ more years, so effectively they would let us know that these rates would be set for the next 10 years. Then it would leave us only from 2027 to 2034 in terms of a rate reset. From that perspective we could still prepay any time without penalty. But what they are basically suggesting is if you were to rework the loan with them we would pay assuming rates would go up .50% in 2 ½ years. If they go up more than that we are not going to worry about it. If they go up less than that we have the ability to prepay and restructure it to our benefit. That doesn't mean that they will let us, but they could potentially let us. Here we are limiting our exposure and it is one of the things we talked about. They are willing to go beyond the traditional 5 years and do it for 7 ½ years.

Supervisor Kuchenbuch asked about the rate for the final 7 ½ years of the loan?

Mr. Rose explained that we have the ability to do whatever we want prior to that. We just put in 3.60% as if it stayed at that instead of the 3.10%. We just did that to give you a sense of the dollars you would be paying. That is the taxable loan. It is isolated by itself. It has also not been a part of the VRA approach because we know that there is the potential of trying to sell this out sooner rather than later. One of the downsides of VRA is they have a 10-year call provision. That means if we get into a loan with VRA we have a really difficult time prepaying it without penalty for the first ten years. That is kind of a balancing act. It changes on a yearly basis and a market basis. The difference here with the Branwick through the Bank of Floyd is there is no penalty at any time. We can say to them we would like to pay it off and we don't have to pay a penalty. We think it is compelling, but it is your decision.

On page 12 we have a few concepts here. With case 1 we have level annual savings. We have basically gotten proposals back and Bank of Floyd from our perspective, again, looked the best with regard to the direct bank loan. They said they would provide us a known interest rate for the entirety of the loan which goes out 8 years and for 10 of the 22 years of the 2nd loan. So we know for the next 10 years, we absolutely would have at least $133,000 in savings. That rate by them has been set. That savings is after paying for any bank fees; that is the net savings. That meets or exceeds the 3% threshold. We are not talking about very large loans relatively speaking. We are talking about bringing rates down.

The second approach is if we wanted to look at VRA today, which is the key because VRA will not set the rate for basically two months, with the call provision of 10 years, that savings would be $170,000 versus $133,000. And it would be setting the rates for all of the years.

However, the $133,000 is the first ten years. The question is what would the reset rate be for the next 12 years? We did some calculations to see if we did not have any more savings versus where we are, the rate would have to more than double what they are showing us. The rate for the last 12 years would have to go to 5.4%. And that would just be to not get any more savings. We would not lose anything from where we are. That is another thing to keep in mind. If the interest rate stayed where it is we would get something like another $114,000 of savings. We don't know that. We are not here to bank on it. But we do know rates would have to move up fairly dramatically for a 12 year rate. That is something that could happen but who knows.

Case 2 is primarily for VRA only. We talked about being positioned for possible future debt for what have you. We could always rework some of the debt structure over the next few years, extending the final maturity, just rework some of the cash flows. It is not something we are pushing on, we just wanted to let you know it is just something that VRA could do. We have been looking at this a multitude of ways.

On page 13 is the estimated refinancing results from the Bank of Floyd proposal. Like I said there are two loans. One goes out to 2038; one goes out to 2024. The new rates would basically provide known savings at the far right side of $133,000. That is because they have given us an interest rate that is around 2.40%. If we take that approach in 2027 to 2038 to not have any more savings the rate could go from 2.40% to 5.40%. The rates would have to go up 300 basis points. Is it possible? Sure. But my sense is that it will be something less than that. There could be more savings. If it goes beyond that it could cost us a few dollars. That is why we wanted to give you the various interest rate trends, so you could see how rates have moved over the last 20-30+ years and get a feel for that. In the current environment just on the savings over the next 10 years that is an 8% present value. It really does justify moving forward. In addition what we are not doing is extending any debt but we are trying again to get rid of the uncertainty. That is what you got with the first approach. It could be refinanced at any time. Not expecting it and hoping it does not happen because it would bode badly for the overall economy, but if rates were to come down further to a ridiculous 0.00% rate assuming banks are still lending, we could see rates coming down. We are not hoping for that and we do not expect that. But the point is that you have that flexibility.

On page 14 is the estimated refinancing results with VRA. You will notice all of that is today's estimate. It is basically $170,000. Rates could move very quickly as I said. I don't want anyone to think we are giving something up. Rates could get better between June 14 and July 25. You are going to have about 5-6 weeks of uncertainty. That is a lifetime in the bond markets. If it stayed the same the savings would be 9% present value versus the 8%. That is viable but could certainly shrink very quickly.

On page 15 is the VRA estimated refinancing results with front loaded savings. We are not recommending this per se but wanted to give you a sense of. If the County were trying to carve out some cash flow for the next few years, look at the graphic for the best indication. In 2016 your budget incorporated just slightly over $2 million for debt service. In 2017 if you do nothing you are going to pay slightly under $1.8 million. But if we wanted to we could carve some more debt out of that and save about $200,000. Then in effect it is getting loaded into years 2021 through 2025. We are still having a general slope down but it is not sloped as dramatically. The point is does that meet the savings threshold? Yes, it is still 4.60% so it is real if rates do not change between now and the end of July. We have no control over that. But I just wanted to give you a perspective. We are not thinking about the refunding only but just trying to think about some cash flow strategy should the Board want to entertain that.

Tonight we are here for educational purposes. We hope to hear successfully from VRA by June 10 and we expect that. We have had discussions with them. Various documents and a variety of other things will be pulled together under either approach over the course of the next month and a half or so. Then we would shoot for June 14 at the regular meeting as we understand it and ask you then to consider something or some things to give us direction. We would need the EDA shortly thereafter to be the focus because the VRA has a deadline of June 17 for us to say we are in or out. We would want to know the Board and the EDA Board were in lock step for whatever happens. If you decide to move forward with the bank loan approach for both the Branwick and the other two loans, then we would be able to close typically by the end of June. If we decide to do the VRA they have about July 27 slated to sell bonds and they will close in the middle of August.

Mr. Jon Beegle asked if we go with the Bank of Floyd proposal and the Grayson merger happens it does not affect our agreement?

Mr. Rose replied let's assume worst case that we have a loan agreement with the bank and they go under is Floyd County at risk? The answer is "No." Someone else will assume that debt. We are not going to be in a position where all of a sudden you find they call you up and say we can no longer do this. That is important.

Mr. George Nester asked what is the potential that someone else purchases the loan?

Mr. Rose answered that it could certainly happen. If someone buys Bank of Floyd they will assume all of that. They have to honor under federal law whatever we have now. Let's assume that Bank X out of Texas buys Bank of Floyd and when that reset comes they may not give us a good reset rate. They have to give us a reset rate but they may give us a rate so unfavorable we may go somewhere else. But they can't not do that.

Supervisor Kuchenbuch asked how far off the Grayson Bank proposal was from Bank of Floyd?

Mr. Rose responded that he does not recall, but there are some details in the Appendix. We spent a lot of time analyzing this. You will see the bids. Remember there were four different loans and in not all instances did everybody submit on every loan. By the time we did all the permutations I can't remember.

Supervisor Kuchenbuch said she couldn't imagine anyone submitting to beat a 1.95% rate.

Mr. Rose replied that they did believe it or not. I'm relying on my memory, but as I recall it was only a slight negative so it didn't make sense. But sometimes if you had to do some restructuring or something that is why we ask that. It was a very small negative. If you were in trouble and really had to do some restructuring then that would have made sense to be part of the equation.

Chairman Clinger asked how do VRA rates typically run compared to other rates?

Mr. Rose replied that they typically run lower because they do serializing. Every year is a separate maturity. What you get from the banks is one maturity so they build in what they think is the average life. VRA in public sales they give you every single year has a different interest rate. And then we aggregate that which is why it showed up a little bit better than the $133.000.

Chairman Clinger asked if the rates are locked in for the full term?

Mr. Rose answered, "Yes."

Chairman Clinger said we could break it out into two parts – Branwick through Bank of Floyd and the rest through VRA.

Supervisor Kuchenbuch confirmed that we can't prepay with VRA?

Mr. Rose said technically you can prepay with VRA, but here is the problem. You have a 10-year call provision. When you have that before the 10 years you are able to prepay it, but you have to potentially pay a penalty. The reason I say potentially is because you have to provide coverage for whoever owns bonds up to 10 years. Let's assume 5 years in you want to call this bond. You might say why would I want to do that? It is because a good portion goes beyond 10 years. It goes out another 12 years. So you might save on the 12 years but it could potentially cost you 5 years. We can't know that number until the time we know what the interest rates look like. Practically speaking you would probably not be prepaying it.

Mr. Leon Moore asked if the expected savings include any closing costs?

Mr. Rose replied that they do include the closing costs. With VRA they have given us what their fees are and we know all that. The net present values are after costs.

Mr. Moore asked if each loan was looked at separately?

Mr. Rose replied yes we let the banks decide if they wanted to do them separately, collectively, some they wanted to bid on, some they didn't. It was sort of like a basket. That has been our best approach. For example, one bank might say I don't feel comfortable going out to 2034, but I will bid on something that is shorter.

Mr. Rose continued it is something for you to digest. The County had solid rates now we get an opportunity at even more enhanced rates while rates appear to be on or about 40-50 year lows.

Mr. David Ingram asked which scenario offers the most serious risk?

Mr. Rose said he thinks the VRA offers the highest risk because we don't know if there will be any savings or there could be more savings. It is 5 weeks away. That's the gamble. The other thing about the VRA is the 10 year lockout, my gut tells me that rates are going to go up. If we go with the Bank of Floyd we have that 10 years before we even have to think about the reset. We could be in a mode starting a few years before that saying what if we put it out to bid again and ask for another set rate. We would not be extending anything. We could play the yield curve. The likelihood that a tax exempt rate could go over 5.40%, while it could happen, is not a big risk. Look at your portfolio. It is $14 million outstanding. At that point we are only talking about $550,000 so it is low risk.

Ms. Ryan asked about the Bank of Floyd proposal needing to be accepted by June 17?

Mr. Rose replied that simultaneously with going to VRA we will go to the bank. Basically on June 14 we need to make the decision. But they will hold that rate they said through June 24, which is really the idea of when we close. They wanted to give us some deadlines.

Supervisor Kuchenbuch asked what we are spending in doing this?

Mr. Rose answered that on the Branwick Center loan the total expenditure is $10,000 that is basically divided $5,000 for ourselves and $5,000 for legal counsel. With the direct bank loan it is estimated about $40,000-$45,000, about $20,000 each and possibly $5,000 if we need some escrow agent verification. For VRA approach the same local costs, ours doesn't change as it doesn't matter to us, but we factored in VRA has absolute lock solid costs and they have more charges. There is something like $25,000 they charge every local entity at a minimum which is factored in. And they charge proportionately whoever the underwriter is. We are not your underwriter; we are your advisor. They gave us that estimate and it is a per bond estimate and that is factored in. Those expenses are high but the savings of $170,000 factors all that in.

Mr. Leon Moore asked what is the difference in the peg rate as far as looking at the bank loan and the VRA pool?

Mr. Rose replied that VRA rates are based on a combination of each particular maturity so you pull it all together. That is how they do it. The banks do it differently than the way VRA does. VRA gives a rate guarantee per each individual maturity. If we go to VRA, they will show us what the interest rates are each year, we put them all together and we get a cash flow and that is set for the entire next 18 years or whatever the number is.

Chairman Clinger said that as each one matures it drops off so it is not like we are bundling it all together.

Mr. Rose agreed and said you are doing what we call match maturity. Each one of your loans will end at the time originally scheduled. The loan that ends in 8 years with VRA will end in 8 years. The loan that goes out 10 plus another 12 years will go to 22 years. Right now those two loans have about $1.6 million in principal. In 10 years that will be down to about $550,000 in principal. We are working down the amount of exposure on your debt.

Supervisor Kuchenbuch said she was surprised to see one of the banks offered 1.60% on one of the loans.

Mr. Rose answered that is why we went to an open field to look at all possibilities. If you come back on June 14 and say we want to look at option 2 with VRA, fine. If you want to be more dramatic you can give us that charge tonight and we will incorporate that as well. I don't think there is any advantage to it.

Supervisor Kuchenbuch said we could lock in at 2.56%. Sixty-five years ago you couldn't imagine getting something for 2.56%.

Chairman Clinger said between 1971 and 1981 we saw interest rates triple. A lot of us were just coming out of school then.

Mr. Rose said having lived through all of that, I think our banking system today is such that I don't think any political party will allow the government to see interest rates go to where we saw them in 1981 or 1982. While we have more debt today, I think we have regulators in the system that will not allow that short of something catastrophic and then we all have problems.

Chairman Clinger expressed his appreciation for the information and Mr. Rose coming tonight.

Supervisor Yoder said the loan with the Bank of Floyd and EDA is something we really need to think about. That is the only loan where we really have a potential that we want to pay off early.

Chairman Clinger added I think we have pretty much decided that it will be separate from the others.

Supervisor Yoder agreed and said that there is a chance that building will be sold.

Chairman Clinger said that is why going with the Bank of Floyd refinance if we broke it out separately and do the Branwick Center with the Bank of Floyd, there is no penalty for prepayment. We could lock in the newer rate.

Mr. Rose reminded them that loan is a taxable rate, which is a higher rate by federal law. You can't change that.

Superisor Yoder said he would love to hear from the folks tonight or over the next few weeks what the EDA members think about that particular loan. You probably have a little better pulse on what is going on with that particular one. It is important for us if we make a decision to hear from EDA members.

Mr. Beegle said he appreciated that and it is EDA's next step to sit down and talk about this and see where we are.

Mr. Rose said we would encourage you if you have questions and invariably I think you might, maybe work them through Ms. Morris and Ms. Ryan and send them to us at one time. That way we can respond maybe through a conference call. We are very confident that the numbers are correctly run.

Agenda Item 9.h. – Discussion of draft Floyd County Solid Waste Plan – set date for public hearing.

Ms. Morris said she gave a draft copy of the proposed changes to the Solid Waste Plan. There are not a lot of changes; it is mostly updating facts and figures – our waste numbers and our recycling numbers. Hopefully you've had a chance to review it. The main question is whether you want to have a public meeting and a public hearing or if you just want to have a public hearing. I'll remind you that the Town decided to have a public hearing by themselves.

Chairman Clinger said because the changes are so minor the public hearing should suffice if the rest of the Board is so inclined. I have consensus from the Board for a Public Hearing at our next night meeting on June 28.

Ms. Morris said we will be doing all of our year-end closeout that night but that doesn't really take that long.

Agenda Item 9. – Old/New Business.

Ms. Morris reminded the Board that Ms. Martin had turned in an application for a VDHD planning grant for the cluster development options. One of the items in it was that we would have a working committee set up. We put in there that we would like 2 Board of Supervisor members to serve on this committee with us.

Supervisor Kuchenbuch volunteered to serve on the committee.

Supervisor Yoder asked how often the committee would meet?

Ms. Morris replied hopefully no more than once a month.

Supervisor Yoder asked how long the duration for the committee – 10 years?

Ms. Morris answered 6 months at the most.

Chairman Clinger said until he is fully staffed at Pizza Inn it is difficult for him to commit to the first meeting. I would serve on the committee but I might have to miss the first meeting.

Other Board members expressed their willingness for Chairman Clinger to serve.

Consensus of the Board was for Supervisors Clinger and Kuchenbuch to serve.

Ms. Morris provided a copy of a letter from Mr. Sowers and Ms. Roberson in our Emergency Management department. They are suggesting that we do a slight increase in our cost of maps. I don't know that we've had an increase since we started printing maps.

Chairman Clinger said even with the increase they are requesting it is pretty reasonable.

Ms. Morris said we sell a good number of maps.

Supervisor Kuchenbuch said I know I've bought a lot of county maps as a realtor.

Chairman Clinger asked if it was enough of an increase? It still seems pretty low.

Supervisor Kuchenbuch agreed and said we should go to $10.00 for the large county maps. I couldn't believe I was only going to pay $5.00 for that. There is a lot of ink that goes into those.

Ms. Morris agreed and said they notice it most with the aerial maps.

Supervisor Kuchenbuch asked who are the maps being printed for?

Chairman Clinger answered property owners.

Ms. Morris added we used to do 8 ½" x 11" sheets, but now we are getting requests for big sheets. Ms. Morris reported that the newest aerials were loaded two weeks ago.

Chairman Clinger said you can take those over to Walmart and have them printed and it costs a lot more than $10.00. I took a photo of Reed's Lumber Mill over there to have printed because I didn't feel right to have it done here.

Supervisor Kuchenbuch said even $10.00 is a bargain. What would something like that cost at Walmart? Can they even do it there?

Chairman Clinger replied I think they send it out to somewhere that does large print jobs and have it done.

Supervisor Kuchenbuch said we have to balance the service to our County residents, but at the same time we have to make sure we cover our costs. Can you get me some information on the cost of toner?

Ms. Morris replied they have already done some of that.

Chairman Clinger said there isn't much difference between $8.00 and $10.00. Let's go to $10.00 to make sure we cover our costs.

Ms. Morris asked for clarification of $8.00 for the small maps and $10.00 for the large maps?

Chairman Clinger said he saw consensus for $8.00 for the small maps and $10.00 for the large maps.

Ms. Morris requested a motion for the public hearing on the Solid Waste Plans.

On a motion of Supervisor Yoder, seconded by Supervisor Kuchenbuch, and unanimously carried, the County Administrator was authorized to advertise a Public Hearing to be held on June 28, 2016 at 7:00 p.m. on the draft Floyd County Solid Waste Plan.

Supervisor Gerald – aye
Supervisor Kuchenbuch – aye
Supervisor Yoder – aye

Supervisor Turman – aye
Supervisor Clinger – aye

On a motion of Supervisor Yoder and seconded by Supervisor Kuchenbuch, and unanimously carried, it was resolved to go into closed session under Section 2.2-3711, Paragraph A.1, Discussion, consideration, or interviews of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body.

Supervisor Kuchenbuch – aye
Supervisor Gerald – aye
Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Clinger – aye

On a motion of Supervisor Turman, seconded by Supervisor Gerald, and unanimously carried, it was resolved to come out of closed session.

Supervisor Gerald – aye
Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Clinger – aye

On a motion of Supervisor Kuchenbuch, seconded by Supervisor Turman, and unanimously carried, it was resolved to adopt the following certification resolution:

CERTIFICATION RESOLUTION
CLOSED MEETING

WHEREAS, this Board convened in a closed meeting on this date pursuant to an affirmative recorded vote on the motion to close the meeting to discuss personnel in accordance with Section 2.2-3711, Paragraph A.1 of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby certifies that, to the best of each member's knowledge (1) only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act were heard, discussed or considered in the closed meeting to which this certification applies; and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting to which this certification applies.

Supervisor Kuchenbuch – aye
Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Gerald – aye
Supervisor Clinger – aye

Supervisor Yoder raised the question if we don't work on the budget tonight, when are we going to work on it?

Chairman Clinger said at our next day meeting on June 14 we should schedule the afternoon as a budget work session where the work will be finalized. We will have stronger numbers by then. On the revenue side we will have better information on the bond refinancing. We will have a recommendation from EDA by that time. That leaves two things we are still lacking on our deficit right now.

Ms. Morris said I believe the EDA will be looking for guidance from you as to which route you want to choose.

Chairman Clinger said the general consensus of this Board from casual conversation is that we want to keep the Branwick Center separate because of the strong possibility of a sale. But I also think we are leaning towards the VRA just because it is a little bit lower and we would be locked in for the full terms.

Supervisor Kuchenbuch added I don't see us prepaying those loans.

Chairman Clinger said the potential for it to drop more than the 3.10% is less than the potential for it to grow beyond 6.00%. The federal reserve is basically holding off until after the election to make a decision. They don't want to effect the election one way or another.

Supervisor Yoder said he wants to go back and look at how much risk are we looking at in the long term if we go with the bank.

Chairman Clinger said with the bank you have 10 years.

Supervisor Yoder replied he wants to look at the numbers before I make a decision. How much is at risk? If only 20% of the loan is at risk, then it is not that high.

Chairman Clinger said I believe at the 10-year mark we are at $591,000 for total payoff. I see what you are getting at.

Supervisor Yoder said I want to sit back and contemplate.

Ms. Morris said after a conference call with Mr. Rose yesterday, Ms. Ryan and I were both leaning one way and then after we read the results this morning we were leaning the other way.

Chairman Clinger said I originally thought about going with the Bank of Floyd with our exposure at $591,000 we can handle that. But when I came on this Board we couldn't handle $591,000; we couldn't handle payroll. Having come through that I want to be locked in.

Supervisor Kuchenbuch said the 7 ½ years at the end is kind of risky.

Supervisor Yoder said I don't know what I think right now.

Chairman Clinger said I could see doing it if we set $591,000, which is the payoff amount, aside right now.

Supervisor Yoder pointed out that you are not at risk for the $591,000 but at risk for the interest on $591,000.

Chairman Clinger said if interest went up to 14% you could pay the loan off at that time if the money were set aside.

Supervisor Yoder said your risk is the 14% interest, not the amount of the principal. It is the increase of the interest that you are risking.

Chairman Clinger said I like how much the prepay savings are if you go through VRA.

Ms. Morris said I know EDA members have more questions. I suggested they get those in to us by Tuesday morning and we could send the questions as a group. If you have other questions let us know. We will distribute the answers to everyone. It is a big decision. As well as Mr. Rose explained it we still need to think about it.

On a motion of Supervisor Turman, seconded by Supervisor Kuchenbuch, and carried, it was resolved to adjourn to Tuesday, June 14, 2016 for a regular meeting at 8:30 a.m.

Terri W. Morris

Terri W. Morris, County Administrator

Case C. Clinger, Chairman, Board of Supervisors