

AT A SPECIAL MEETING OF THE BOARD OF SUPERVISORS OF THE COUNTY OF MONTGOMERY, VIRGINIA HELD ON THE 30TH DAY OF AUGUST, 2010 AT 6:00 P.M. AT THE CHRISTIANSBURG MIDDLE SCHOOL, CHRISTIANSBURG, VIRGINIA:

PRESENT:	Annette S. Perkins	-Chair
	James D. Politis	-Vice Chair
	Mary W. Biggs	-Supervisors
	William H. Brown	
	Gary D. Creed	
	Doug Marrs	
	John A. Muffo	
	F. Craig Meadows	-County Administrator
	Martin M. McMahon	-County Attorney
	Ruth L. Richey	-Public Information Officer
	Vickie L. Swinney	-Secretary, Board of Supervisors
	B. Wendell Jones	-Chair, School Board
	Phyllis T. Albritton	- School Board Members
	Jamie Bond	
	Drema B. Foster	
	Penny J. Franklin	
	W. Wat Hopkins	
	Brenda Blackburn	-School Superintendent
	Walter Shannon	-Assistant School Superintendent of Operations
	Dan Berenato	-Director of Facilities

CALL TO ORDER

The Chair called the meeting to order and the Pledge of Allegiance was recited.

The Chair announced the purpose of the special meeting is a joint dinner meeting with the Montgomery County School Board.

INTO WORK SESSION

On a motion by William H. Brown, seconded by James D. Politis and carried unanimously,

BE IT RESOLVED, The Board of Supervisors hereby enters into Work Session for the purpose of discussing the following:

1. School Board recommendation on School Capital Projects

The vote on the foregoing motion was as follows:

<u>AYE</u>	<u>NAY</u>
Gary D. Creed	None
William H. Brown	
James D. Politis	
Mary W. Biggs	
Doug Marrs	
John A. Muffo	
Annette S. Perkins	

School Board Recommendations on Capital Projects

Brenda Blackburn, School Superintendent, presented information on the school's capital needs. The School's 2006 Capital Improvement Plan (CIP) listed Auburn High School and Auburn Middle School as critical and Blacksburg High School as important. The School Board in 2006 supported a bond issuance for the Auburn Strand Projects. Due to the gymnasium roof collapse at Blacksburg High School and structural issues found in the remainder of the facility, this school has moved up to critical. There needs to be a long term solution for Blacksburg High School.

Ms. Blackburn reported at the August 17, 2010 School Board meeting the School Board considered five capital improvement plan options as follows:

- Option 1: Repair Blacksburg High School - \$14,464,000
- Option 2 New Blacksburg High School, New Auburn High School, and renovate High School for Auburn Middle School \$124,556,000
- Option 3 New Blacksburg High School, New Auburn High School and schedule High School renovation for Auburn Middle School \$ 102,010,400
- Option 4 Build New Blacksburg High School (1,200 Student) \$57,456,000
- Option 5 Repair Blacksburg High School to work through 2006 Capital Plan \$ 14,464,000

The School Board adopted a resolution to forward to the Board of Supervisors with their recommendation as follows:

The School Board declares the replacement of Auburn High School, Auburn Middle School, and Blacksburg High School as critical projects;

The School Board declares the need to replace these school buildings as urgent;

The School Board shall forward a resolution to the Montgomery County Board of Supervisors requesting the replacement of the identified schools at an estimated cost of \$124,556,000; and

The School Board will coordinate with the Board of Supervisors to assist in the development of a plan to fund the replacement of these schools.

Ms. Blackburn provided the other information and considerations as follows:

- Completion of AHS, AMS, and BHS will leave one critical project from the 2006 Capital Plan unaddressed.
- Financial Advisors have indicated that additional borrowing will not reduce the bond rating for Montgomery County from the “Very Strong” category.
- What are the possible scenarios for funding other than borrowing \$125 million at 3.83% in one lump sum?
- The five options considered by the Montgomery County School Board do not require funding in one phase or from one source.
- What is the potential for use of Rural Development Agency funds for projects in Auburn?
- The statement that a 17% increase in property taxes may occur is being confused with a 17 cent increase per \$100 in value. (17% increase equates to a 12.5 cent increase)
- What is the value of educational properties that are currently considered surplus or that may be declared as surplus in the future?
- Strategic financial planning for school improvements is important.

Ms. Blackburn reported that School staff has contacted Travis Jackson with the Rural Development Agency about whether Montgomery County could qualify for rural development funds. The Blacksburg High School would not qualify but the Auburn projects would. A rural development grant is still a loan, not free money. The loan is set up at 4% over 40 years, with three years of no payments, and a 35% rebate on interest.

Craig Meadows, County Administrator, presented information recently obtained by the Board of Supervisors. At the Board of Supervisors meeting on August 23, Davenport and Company presented information about potential costs, potential taxes, and the effect that additional debt would have on bond ratings. This presentation was requested after the School Board’s determination that additional capital funding is needed. The presentation included borrowing scenarios ranging from \$42.9 million to \$110 million. The county already has \$14.5 million to dedicate to capital projects due to savings on previous capital projects, but Mr. Meadows recognized that the projections included a higher-than-expected insurance payout. He explained that bond agencies recommend paying off debt in 20 years because bond agencies look at the percentage of debt principal to be paid off in the next 10 years. For counties the size of Montgomery, paying off 50% to 60% of the principal debt in 10 years is ideal. There are several pots of money related to stimulus funds, including Quality School Construction Bonds and Build America Bonds. QSCB bonds are issued at a 0% interest rate and Build America Bonds have a 35% interest rebate. In addition, rural development bonds through the USDA are available at a 40% payout at 4% interest, with a 35% interest rebate.

Chair Annette Perkins read an email from a community member stating that it is a fallacy that strong credit ratings should never be spent. The email continued that credit ratings are cyclical, and counter-cyclical borrowing makes good financial sense.

Supervisor John Muffo clarified that the financial advisors stated the bond rating would not necessarily go down.

Ms. Perkins responded that the bond rating would most likely stay the same and that there could be a movement down inside the same bond rating should the board decide to borrow additional money.

Mr. Muffo stated that Montgomery County would be the second most indebted out of 95 counties in the state if the county borrowed more money. He also said the county would not be able to issue debt again for eight to ten years.

The County Administrator clarified that if additional funds were borrowed, Montgomery County would have the second highest debt per expenditure ratio in AA rated communities, not in the entire state. He continued that the board should identify all needs before requesting additional funding. If additional debt is issued at that level, he said everything necessary should be included in the package.

Supervisor Gary Creed stated that the financial advisor said the bond rating could go down and that the board needed to face the facts. The facts are that the Board can borrow more money, but they will have to pay the money back and that will result in a 17% tax increase.

The Board discussed the School Board's request for additional technology funding. Recently \$500,000 from the 2009-2010 carry over funds was dedicated to technology in schools.

Mr. Creed stated that Montgomery County has a historical average of a 3% increase in taxes and, as a result, they are looking at a 47% increase in taxes over the next 10 years if they move forward with funding.

School Board Member Phyllis Albritton commented on a letter she received from Jane Aronson, which indicated that the Education Stabilization Fund is one option of additional funding that could be explored.

Supervisor Doug Marrs stated that the School and County budgets were cut by the state last year, which is concerning when considering pending operating costs. He is hearing that the state is going to cut budgets again next year and the amount is yet to be known. He suggested that the board look at all options to avoid getting in a situation they cannot get out of.

Mr. Creed asked if Blacksburg High School could be fixed and be safe. He asked how much it would cost to find out if the school could be safely repaired.

The boards discussed Blacksburg High School building safety and timelines for repairing the building and building a new school.

Supervisor Brown stated his concerns. He pointed out that children are important to the board; that there are a lot of haves and have nots in his district; that people are afraid of losing their homes; and that all county costs should be considered in addition to construction costs when looking for additional funding.

Supervisor Marrs asked who pays the bill when operating costs go up and the state doesn't pay what they're supposed to pay.

School Board Member Jamie Bond stated that the School Board's request for money is not an effort to pass the buck to the Board of Supervisors. She continued that she is not in favor of a tax increase and that engineers assured the School Board that Blacksburg High School can be fixed and be safe. She stated that Auburn has an entire sixth grade that is not in the building and that she voted for the School Board's resolution so Auburn could be in line for a new school. She asked if Blacksburg High School would be as hard to sell as the old Blacksburg Middle School. She believes that the public needs to be educated regarding where tax dollars come from and where they are spent.

School Board Member Penny Franklin stated that engineers said Blacksburg High School could be repaired and be safe. She supported a 12% tax increase previously for capital projects but economic times are different now. She asked how a tax increase would affect the entire county and what the boards would do if something truly horrific happened that needed to be fixed right away.

School Board Member Drema Foster asked if the current Auburn High School needed a \$20 million renovation to accommodate middle school students if a new high school were to be built. She asked if a renovation similar to the one at Old Christiansburg Middle School could be completed and questioned if Auburn facilities could be made safer.

Supervisor Jim Politis reiterated safety concerns at Auburn.

Supervisor Mary Biggs stated that there is a September 30, 2010 deadline for some funding availability. She recognized Auburn's needs and wants to see a new Blacksburg High School. She does not feel confident that Blacksburg High School can be safely repaired. She asked if repairing Blacksburg High School is the best long-term investment of money. She requested that engineers come and convince the Board of Wupervisors that Blacksburg High School can be safely repaired.

School Board Chair Wendell Jones stated that the financial presentation at the Board of Supervisors meeting on August 23 bothered him because it assumed that all funds would be needed now. He expected the financial advisor to present staggered borrowing capabilities, and these options were not included in the presentation. He asked if a credit rating is the most important thing or if doing what is right for kids long-term is more important.

The boards discussed the advantages and disadvantages of each of the options presented by the school board.

School Board Member Wat Hopkins stated that both boards agree that they need to do what is right, even though they disagree on what is right. He explained that he voted for the resolution because they were told they could not move forward without a proposal. He suggested operating on parallel tracks and continued that the school board needs to do what it can to determine if Blacksburg High School can be repaired safely. He stated that it does not look good that the board is looking for funding for two schools now, when only one school had an emergency.

Mr. Creed asked if option 5 could be to repair Blacksburg High School and build Auburn High School as scheduled. He stated that the problem he sees is that everyone is trying to change the rules. He believes the Board of Supervisors needs to address Blacksburg High School and return to the capital improvement plan already in place. He does not understand why Auburn High School isn't listed alone as an option and why the insurance settlement estimates continue to decrease.

Mr. Hopkins responded that no one is changing the rules. The rules changed on February 13 and there is no high school in Blacksburg right now.

Mr. Politis stated that part of the problem is children in Auburn and Blacksburg have critical needs. He stated that all children are important and that the Auburn community feels Blacksburg has been deemed more important.

Ms. Albritton stated that she has a Montgomery County perspective and that she wants a new Auburn High School. She stated that when Blacksburg High School was built, there were no as-built records and that says a lot about the building's safety. She asked if as-built documents will be needed to repair the building and stated that she hopes the boards will find funding for two schools.

Mr. Jones asked Walt Shannon, Assistant Superintendent, to speak on repairing Blacksburg High School.

Walt Shannon stated that MCPS hired OWPR to look into the possibility of repairing the Blacksburg High School building. A floor deflection indicated additional investigation was needed into the building's structural integrity, and the firm looked at the beams in the building and conducted testing. OWPR has assured the School Board that the building can be repaired. He stated that a reinforcement plan will be needed for every beam deemed deficient. The estimate provided for repair was based on repairing every beam. A firm estimate will not be available until the project goes out to bid.

The boards discussed additional costs related to testing the Blacksburg High School building, time frames for testing and repair, and other capital plan scenarios.

Annette Perkins stated that the boards were not to come to a conclusion or make a decision at this meeting. She is concerned that the collapse of a gymnasium has divided the county and that before the collapse, no one would have said that Auburn High School is not next on the list to be rebuilt. The gymnasium roof collapsed, and because of that, the Auburn community is pitted

against the Blacksburg community. She stated that it would be difficult for the boards to reach a consensus because of multiple, varied opinions.

OUT OF WORK SESSION

On a motion by Doug MARR, seconded by James D. Politis and carried unanimously,

BE IT RESOLVED, The Board of Supervisors ends their Work Session to return to Regular Session.

The vote on the foregoing motion was as follows:

<u>AYE</u>	<u>NAY</u>
William H. Brown	None
James D. Politis	
Mary W. Biggs	
Doug MARR	
John A. Muffo	
Gary D. Creed	
Annette S. Perkins	

ADJOURNMENT

The Chair announced the meeting was adjourned to Monday, September 13, 2010 at 6:00 p.m.

The meeting adjourned at 9:17 p.m.

APPROVED: _____ ATTEST: _____
Annette S. Perkins F. Craig Meadows
Chair, Board of Supervisors County Administrator