

**Economic Development Authority
Of
Lancaster County, Virginia
At
Chesapeake Bank Training Center
Minutes – April 16, 2019**

Members Attending: Roy Carter, Jeff Szyperski, Charlotte Silverman, Ronald Davenport, Lewis Conway, Bruce Sanders and Ed Pittman.

Others Present: Don Gill, County Administrator, R. T. Taylor with Davenport and Company and Dan Siegel with Sands Anderson.

Mr. Carter called the meeting to order at 8:30 a.m. He thanked Mr. Gill and Ms. Whay for putting the meeting packages together today. He also thanked Mr. Szyperski and Dr. Silverman for putting together their presentation.

New Business #1

Proposed Approving Resolution of the Economic Development Authority for the Issuance of its Revenue Bond of \$2 Million Dollars for Land Acquisition and Schematic Designs for a Proposed School Capital Project

R. T. Taylor of Davenport and Company stated that he handed out the same booklets that were presented at the Board of Supervisors' meeting last month. He stated that the request for proposals went out to over one hundred banks with terms to consider ranging from 2 years to 10 years. He stated that since the school project is still evolving, the County would want to keep the debt service low. He stated that, on the other hand, if the County wanted to fully amortize the loan, they could lock in the rate and not be exposed to current market movement. He stated that seven banks submitted proposals and Zions Bank provided the lowest interest rates across the board. He stated that Zions Bank offered a 2.79 percent interest rate for ten-year financing. He stated that was fully amortizing principal and interest over the life of the loan. He stated that, while Zions Bank has the best interest rate, they want one hundred percent collateral for the loan. He stated that the County has the Sheriff's Office as the potential collateral. He stated that Zions Bank will allow the County to prepay the loan in whole or in part at any time without penalty. He stated that the Board of Supervisors decided to go with the fully amortized loan for a term of ten years with Zions Bank. He stated that they were asking for the Economic Development Authority's action to complete the loan process. Mr. Szyperski stated that it was not the Economic Development Authority's decision to consider the financing because the Board of Supervisors had already made the decision, but rather the EDA needed to understand the process because it was acting as the conduit for the transaction.

Mr. Siegel replied that was correct.

Mr. Siegel stated that the state allows the Economic Development Authority to issue lease revenue bonds. He stated that the collateral being used in this case will be the Sheriff's Office Building because its value is about the same amount as the bond that is being issued. He stated that the Sheriff's Office Building is owned by Lancaster County and the County will lease it to the Economic Development Authority. He stated that, under the ground lease agreement, the EDA will lease the building back to the County. He stated that the rental will equal the debt service on the bond and the EDA's administrative fees. He stated that this will be paid semi-annually.

Dr. Silverman asked what was the purpose of doing what Mr. Siegel had just explained.

Mr. Siegel replied that the ground lease to the EDA will be approximately five years longer than the lease agreement. He stated that it was a safeguard in case the County decided not to appropriate for the expense when deciding on its budget. He stated that the County could do this on its own with a referendum and would not need the EDA. He stated that with a lease revenue bond, the County does need the EDA.

Dr. Silverman asked for clarification about payments coming only from the rent.

Mr. Siegel replied that, under the statute, the EDA cannot issue general obligation bonds. He stated that the EDA can only issue revenue bonds. He stated that, in this case, the only revenue would be from the rent.

Dr. Silverman asked what would happen if the County defaults on the loan.

Mr. Siegel replied if the Board of Supervisors decided that they did not need the property and did not appropriate for the expense, the lender, Zions Bank, would make the Sheriff's staff vacate the building and try to lease to someone else for the remainder of the term. He stated that would be the worst case scenario.

Mr. Siegel stated that the County could have done a straight lease, but usually, in Virginia, these kinds of transactions go through the local EDAs.

Mr. Pittman asked if the EDA still had \$8 million left for other requests for this year.

Mr. Siegel replied that each year, on a calendar year basis, each locality can issue up to \$10 million dollars of tax-exempt bonds with a bank qualified designation. He stated that, if the EDA went over that \$10 million dollar limit, then the bank qualification disappears. He stated that, in Lancaster County, for the past few years they have been borrowing between \$2 and \$3 million dollars in Revenue Anticipation Notes during the summer to cover the cash flow until tax revenues are received later in the year. He stated that those loans count against the \$10 million dollars. He stated that, with this \$2 million dollar loan and probably a \$3 million dollar Revenue Anticipation Note in July or August, that would leave the EDA with approximately \$5 million dollars for this calendar year.

Mr. Pittman asked why was the County coming to the EDA for this loan if it does not have to come to the EDA for the Revenue Anticipation Notes.

Mr. Siegel replied if the terms of the loan go beyond a fiscal year, then the request goes to the EDA. He stated that the Revenue Anticipation Notes are always paid off in a few months once tax revenues are received.

Mr. Gill stated that the Board of Supervisors had voted to keep a minimum of seven percent in the general fund reserve. He referred to last year's Revenue Anticipation Note and stated that because the County was able to invest in the Virginia Investment Pool at a higher interest rate, the net cost for the Revenue Anticipation Note was around \$6,000.00.

Mr. Szyperski made a motion to approve the proposed resolution for the issuance of its revenue bond of \$2 million dollars for land acquisition and schematic designs for a proposed school capital project. Dr. Silverman seconded the motion.

ROLL CALL VOTE: 6-1

Szyperski	Aye
Silverman	Aye
Pittman	Nay
Davenport	Aye
Sanders	Aye
Conway	Aye

Mr. Szyperski asked if Mr. Pittman would say what the basis was for his vote.

Mr. Pittman replied that he knew it had nothing to do with the EDA's responsibilities, but he thought the site that the County had chosen was not an acceptable site for a school plan. He stated that he did not take issue with the financial package, but rather the Board of Supervisors' decision on the property purchase.

New Business #2

Financial Discussion for Current and Future Revenue Opportunities, Strategic Direction and Goals

Mr. Carter stated that the agenda discusses the EDA's need for understanding its current legal limitations and where it can exercise its current underwriting capabilities. He stated that other questions included, if the EDA could apply for grants and if so, for profit or non-profit and how are current EDA "customers" selected or solicited.

Mr. Siegel stated that the EDA had broad authority under the statute. He stated that the EDA can apply for grants and can also do a variety of economic development projects, such as farmers' markets or setting up micro loans for small businesses and even setting up an industrial park. He stated that EDAs that are similar to Lancaster County's develop their resources by having an authority fee, which this EDA has, and welcoming non-

profit organizations, such as the Mariner's Museum to help initiate bond requests. He stated that non-profit organizations enjoy using the EDA's bank-qualified status. He stated that his firm usually gets the requests. He stated that the EDA's abilities do not have to be limited to just bank qualified loans.

Mr. Szyperski asked if the EDA's opportunities were limited to the Commonwealth of Virginia.

Mr. Siegel replied that he thought they were not from a federal standpoint, but he would need to check on the state requirements. He stated that there probably would need to be a nexus to Virginia, so there would be some benefit to the Commonwealth.

Mr. Carter asked what other sources could the EDA go to for opportunities.

Mr. Siegel replied that the Department of Housing and Community Development would be an example of an opportunity. He stated that the EDA could apply for grants for things such as broadband access for the locality. He stated that they could also consider federal government grants for specific projects.

Mr. Carter stated that was something that they would need to look into.

Dr. Silverman asked about for profit opportunities.

Mr. Siegel replied yes. He stated that EDAs were created years ago for industrial type projects. He stated that Congress started limiting the ability to use tax-exempt bonds for private uses starting in the mid 1980's. He stated that the EDA could issue manufacturers' tax-exempt bonds with another ten million dollar limit, but that is not that useful currently because most projects would be more than ten million dollars.

Dr. Silverman asked about the history of what the EDA had been doing recently and whether or not it was maximizing the \$10 million dollars each year.

Mr. Siegel replied that, for the last five or six years, \$2 to \$3 million dollars was being left on the table.

Dr. Silverman stated that they needed to concentrate on maximizing all of the money.

Strategic Direction

Dr. Silverman stated that she and Mr. Szyperski had been discussing some goals and plans for the EDA. She stated that, included in the members' packages, there was a grant request form for all new requests that come before the EDA. She explained the form and how it would fit with the EDA's mission.

Mr. Szyperski stated that the form will add more clarity and accountability for organizations that are making requests of the EDA and how it fits with the EDA's mission.

Dr. Silverman made a motion to accept the new grant request form. Mr. Szyperski seconded the motion. **VOTE: 6-0. (Mr. Sanders had left the meeting.)**

Dr. Silverman referred to the strategic direction and focus and asked what do they want to fund. She stated that, in the past, the EDA has helped to fund tourism initiatives, such as the Oyster Trail and River Realm Branding. She stated that they have also helped Visions with things such as the Lead Northern Neck Program.

Mr. Pittman stated that they had helped the Mariners' Museum and many 501c 3 organizations.

Mr. Gill stated that the EDA has helped to fund the Boys and Girls Club and the Broadband Authority.

Dr. Silverman asked the members if there were any particular organizations that they should continue to fund.

Mr. Szyperski stated that the Lead Northern Neck donation is an on-going request and he thought it was important to continue that because leadership development was needed before community development and economic development.

Mr. Gill referred to a couple of other previous contributions and stated that the EDA gave \$20,000 to the Save the Rappahannock group in 2017 for its legal fees and \$500 to the Kilmarnock Chamber of Commerce for the Christmas parade costs.

Mr. Carter stated that tourism is very important to the area, so he thought funding things such as River Realm Branding was a good idea.

Mr. Carter asked Mr. Gill if the Broadband Authority had submitted a budget request to the County.

Mr. Gill replied yes. He stated that the Broadband Authority had submitted a request for \$52,500 for FY 20.

Mr. Carter asked if the Broadband Authority had submitted any grant requests.

Mr. Gill replied that they had submitted a request for a DHCD planning grant through the state, but they had not been informed of the decision.

Mr. Carter suggested that the EDA try to apply for grants for broadband as well. He asked about grant writing.

Mr. Gill replied that the County utilizes the Planning District Commission for its grant writing.

Mr. Davenport stated that there were many good attributes of the Boys and Girls Club. He stated that the organization really helps the community's children.

Dr. Silverman suggested that the EDA help to establish Uber in the area. She stated that Uber is not a traditional taxi service, but it is a car service, which uses an application on your phone. She stated that it would be a great service for both residents and tourists. She stated that there was also a need for car services for medical appointments for residents as well.

Mr. Conway stated that there were some private companies in the area that provide rides besides Bay Transit. He mentioned the names of Crockett and Doggett.

Dr. Silverman stated that when citizens use Bay Transit, they are sometimes waiting for a great deal of time because of the bus schedules. She stated that it would be nice for the private companies like Mr. Conway had mentioned to be a part of the services, too.

Dr. Silverman stated that she knew a person who was interested in getting an Uber business going in the area and it would be nice to build a volume of drivers, so when someone logs onto the application, there is someone to drive them.

Mr. Szyperski stated that the area has a transportation issue and Uber could help with that, but not necessarily for needed workforce transportation.

Dr. Silverman stated that she thought they should also try to establish more of a partnership with the Northern Neck Planning District Commission. There was discussion about the possibility of a regional economic development person.

Dr. Silverman referred to broadband service and stated that a lot of people could work from home if they had good service. She stated that could bring more people to the area. She stated that another good idea would be to have an office "hub" where people could use internet service and have an office space. She stated that these spaces could also offer workforce training and helping people with things such as resumes and interview skills.

There was discussion about shared open office spaces that provide internet to attract millennials and other working people who want a more rural environment.

Dr. Silverman asked Mr. Pittman if there was anything he wanted to add to their focus list.

Mr. Pittman replied that he thought improving the education situation would be a great help to driving the local economy. He stated that the County's school system is thought of negatively and they needed to take steps to change that, so people would want to come to the area and send their children to the local schools.

Mr. Szyperski stated that he had a potential candidate for employment last year that decided not to move to the area because of the school system.

Mr. Conway stated that for the area to have economic development, it needed to have educational development. He stated that they needed to pay teachers a competitive wage.

Dr. Silverman asked how the members would like to prioritize the strategic plan.

Mr. Szyperski stated that what he thought they were trying to do as the Economic Development Authority is to become more proactive and not just be a recipient of requests. He stated that he thought the grant request form was a good first step.

Dr. Silverman stated that she could start putting some ideas together from what had been discussed to help draft a strategic plan. She stated that she wanted to make sure that all of the members gave their opinions on the priorities.

Mr. Szyperski suggested that the EDA help promote itself. He stated that they give a contribution to Lead Northern Neck each year and they could ask for some time on a presentation during the session, so that the graduates of the program would know more about the EDA. He stated that would help them get the message out.

Dr. Silverman stated that it would be good to have a draft form of the strategic plan by the July meeting, so they can have a guide when they are making decisions.

Mr. Carter suggested looking at other localities to see their ideas as well. He stated that Middlesex County will be establishing a brewery in their county.

Mr. Gill stated that the craft brewery idea would be a good fit for Lancaster County. He stated that there was a potential one proposed to go on Boys Camp Road in Kilmarnock, but the hindrance was the cost for the power company to bring three-phase service to the location.

Mr. Carter encouraged the EDA members to send their ideas to each other via email.

Dr. Silverman suggested that the EDA concentrate on three to five ideas, at the most, as its priorities.

Mr. Szyperski referred to the County's Poorhouse Tract account and asked if those funds had been set aside, by the Board of Supervisors, for economic development.

Mr. Gill replied yes. He stated that account had a balance of approximately \$364,000.00. He stated that the money came from property that was sold to the Audubon Society by the County and has been earmarked for economic development.

Financial Report

Mr. Gill stated that the EDA's beginning balance as of January 1, 2019 was \$100,459.50. He stated that, after earned interest and the collection of administrative fees, the balance was \$120,157.40. He stated that after issuing the member meeting stipends, the balance was \$119,457.40 as of March 31, 2019. He stated that figure does not include the recently distributed checks to the Lancaster County Broadband Authority and the Boys and Girls Club that were approved at the January meeting. He stated that, after those checks were cashed, the balance would be \$79,457.40. He stated that there will be no more money received in FY 19. He stated that, currently, the EDA is receiving approximately \$40,000.00 total, annually from six different entities.

Mr. Carter stated that they had discussed looking into possibly having a better rate with a money market account at the last meeting.

Mr. Pittman stated that his bank is offering two percent interest on their money market accounts. He stated that the money market accounts have a three transaction limit per month, so if more expenditures are made, the fees would add up. He suggested that, if the EDA's threshold of what it keeps in the account is approximately \$60,000.00, then that amount could be deposited into a money market account and the rest stay where it is, so that checks can be written.

Mr. Carter stated that he would like more information on having a second account.

Mr. Pittman stated that another idea is that VCB has a community partnership certificate of deposit (CD) that is available to non-profit organizations and government. He stated that it is a five-year CD, but it has a one-year liquidity feature and pays three percent. He stated that, every twelve months, all or part of the money can be withdrawn without penalty.

Mr. Carter asked if it would take a formal action of the EDA to transfer funds into another account or a CD.

Mr. Pittman replied that he did not think so. He thought that Mr. Gill could shop around and make the determination, especially if the accounts had a liquidity feature.

January 17, 2019 Meeting Minutes

Dr. Silverman stated that the title of Doctor had been excluded from her name in the minutes and she would like them revised.

Dr. Silverman made a motion to approve the minutes as revised. Mr. Davenport seconded the motion. **VOTE: 5-0 (Mr. Szyperski and Mr. Sanders had left the meeting.)**

Other Business

Mr. Gill stated that he had received a letter from Phillip Mumford, the Executive Director of the Boys and Girls Club, thanking the EDA for its \$10,000.00 contribution. He stated that Mr. Mumford asked him if the EDA would be receptive to having a picture in the local paper or in the annual report.

Dr. Silverman stated that when the EDA grants requests, she thought it should be publicized. She asked how is it communicated now.

Mr. Gill replied that it is not communicated.

Dr. Silverman stated that it might be good to have some competition between organizations that might request funds from the EDA. She stated that they now have a form that helps to determine what impact the organization has or will have on economic development.

Mr. Carter stated that he would talk with Mr. Mumford.

Adjournment

Mr. Pittman made a motion to adjourn the meeting. Dr. Silverman seconded the motion.

VOTE: 5-0.