

ALBEMARLE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY MINUTES

May 18, 2021

4:00 P.M.

Electronic Meeting

Directors Present: Kat Imhoff, Don Long, Stephen McNaughton, Stuart Munson, George Ray

Staff Present: Jim Bowling, EDA Counsel; Jeff Richardson, County Executive; Roger Johnson, Economic Development Director; J.T. Newberry, Economic Development Coordinator; Jennifer Schmack, Economic Development Project Manager; Richard DeLoria, Senior Assistant County Attorney; Diantha McKeel, Board of Supervisors Liaison to the EDA, Jack Jouett District; Nelsie Birch, Chief Financial Officer; Daniel Greene, Chief of Treasury

1. **Establish Quorum and Call to Order**

Mr. Long convened the meeting at 4:00 p.m. read the following statement:

Notwithstanding any provision in the EDA Bylaws to the contrary, as permitted under Albemarle County's Continuity of Government Ordinance; Chapter 1283 of the 2020 Acts of the General Assembly; and the Resolution of this body adopted on April 21, 2020, we are holding this meeting by real time electronic means with no Authority member physically present at a single, central location. All Authority members are participating electronically. This meeting is being held in accordance with Section 6 of the County's Continuity of Government Ordinance. All Authority members will identify themselves and state their general physical location by electronic means during the roll call which we will hold next.

This meeting is being recorded and will be uploaded to the County's website.

The public has real time audio-visual access to this meeting over Zoom and real time audio access over telephone, both as provided in the lawfully posted meeting notice. The public is also invited to offer live comment during the meeting's Public Comment period. Comments are limited to three minutes and must be germane to matters on today's agenda. The public is also invited to send questions, comments, and suggestions to the Authority through the County's Economic Development Office at any time.

Mr. DeLoria provided the roll call and confirmed a quorum.

2. **Matters from the Public**

Ms. Schmack confirmed no speakers signed up or raised their hand to speak.

3. **Approval of Minutes**

The minutes for April 20, 2021, were reviewed. Ms. Imhoff motioned to approve the minutes, which was seconded by Mr. McNaughton.

MOTION: The motion passed unanimously.

4. **Financial Report**

The financial report was deferred since Mr. Shreve was not present at the meeting. There were no comments on the financial report for the period ending April 30, 2021, that was included in the agenda packet.

5. **New Business**

Due to a conflict, Mr. McNaughton recused himself from the Albemarle County Debt Financing discussion and was removed from the meeting.

- a. Albemarle County Debt Financing-2021 – Mr. Long introduced Nelsie Birch, Albemarle County Chief Financial Officer, Chris Kulp, Hunton Andrews Kurth, LLP, and Courtney Rogers, Davenport & Company. Ms. Birch advised that Mr. Rogers serves as the County's financial advisor and Mr. Kulp as the County's bond counsel.

Ms. Birch explained the County is requesting the EDA's support of the County's upcoming bond issuance and approval of an associated resolution. If the resolution is approved, the EDA will serve as the conduit issuer. Mr. Rogers will discuss the financing plan and Mr. Kulp will discuss the legal aspects of the financing. Ms. Birch also introduced Daniel Greene, Chief of Treasury. Mr. Greene is responsible for the County's treasury operations which includes debt, cash, and investment management, and will be instrumental in finalization of the financing.

Mr. Rogers then presented an overview of the proposed bond financing plan.

The County has identified Capital Project funding needs totaling \$65.6 million - \$40.2 million to reimburse prior Capital Project spending, and \$25.4 million to cover anticipated Capital Project spending through December 2021. If the County determines that some of the project expenditures have the potential to be funded by the American Rescue Plan Act of 2021 (ARPA) the amount of the actual issuance may be reduced. In addition, two potential refunding opportunities to achieve debt service savings have been identified.

Davenport & Company is recommending the County undertake the borrowing for the new money projects and refunding via a Competitive Public Market Sale based upon the current market environment and success of recent bond sales combined with the County's strong credit ratings. The County currently has a triple-AAA credit rating, the highest available, and there is no change anticipated when an updated credit rating for the bonds is obtained. The 2021 Bonds will be an appropriation credit so would be rated one-notch lower (AA) due to the appropriation risk. A public offering document, known as a Preliminary Official Statement, is currently being finalized by the County's bond counsel and is essentially the marketing document used to sell the bonds. Bonds are sold as a series of bonds to the investing public at prevailing interest rates. Interest rate and eventual debt service/refunding savings for the County is determined the day the bonds are sold in the primary market (currently expected to be June 10). Long term interest rates are currently at near historic lows and it is expected that rates will continue to be favorably low (less than 2%) for the bonds.

Mr. Rogers provided a summary of New Money Projects Funded via 2021 Bonds. The summary included various school, maintenance/replacement, parks, public works, public safety, recycling, and judicial capital projects. Due to regulations outlined by the IRS, certain projects (some county and school maintenance/replacement programs) will need to be funded via taxable bonds. The summary showed tax-exempt bonds totaling approximately \$57 million and taxable bonds \$8.6 million.

Mr. Rogers next discussed Davenport & Company's projections of the estimated debt service for the new money projects and impact of the additional borrowing. The projections incorporate the following key assumptions: a) closing date in late June; b) debt service estimates assume public market interest rates as of May 4 plus 0.25% based upon the County's current credit rating; and c) wrapped new money debt service structure such that the County obtains one year of interest only payments and 19 years of level debt service payment.

Mr. Rogers then shared the following slides to illustrate the estimated debt service and impact based on the above assumptions:

- 1) Estimated 2021 Revenue Bonds Debt Service - Principal and interest payments over the next 20 years for the new tax-exempt and taxable bonds total \$81.8 million - tax-exempt \$72.7 million, taxable \$9.1 million. There is 1-year of interest only payments and 19 years of level debt service payment. The tax-exempt bonds will be "wrapped around" the taxable bonds meaning the taxable bonds, which are at a slightly higher rate, will be paid off first (5 years vs 20 years). Principal payments on the tax-exempt bonds would begin after the taxable bonds are paid off.
- 2) Projected Cash Flow Impact of New Tax-Supported Debt Service - \$269.6 million estimated debt service over 20 years (existing debt service \$187.8 million; new money debt service \$81.8 million). Over the 20 year period, the debt service takes a stairstep down which enables the County to take on additional projects down the road.
- 3) Debt vs. Assessed Value - County policy is long term obligations should not exceed 2% of the estimated market value of taxable property. The graph presented shows debt as a percentage of assessed value well below 2%.
- 4) Debt Service vs. Revenues - County policy is the ratio of debt service expenditures to School Fund and General Fund revenues, less General Fund transfers to the School Fund, should not exceed 10%. The graph presented shows debt service as a percentage of revenues well below 10%.

Mr. Rogers then discussed two potential refunding opportunities that Davenport & Company and the County have been monitoring for inclusion as part of the 2021 Bonds. The refunding potential includes the outstanding 2011 Bonds (\$13.2 million) and 2015 Bond (\$7.2 million). Both bonds would be refunded on a tax-exempt basis and the final maturity dates would not change. Refundings that produce savings in excess of 3% on a Net Present Value (NPV) basis are considered reasonable refunding candidates. The projected total NPV Savings for the two bonds is \$1.7 million, or 8.51%. The projected net budgetary savings for the two bonds is \$1.95 million spread over the remaining life of each issue.

Davenport & Company is also monitoring the County's 2013 Bonds as a potential refunding candidate. The resolution to be considered by the EDA provides authorization to refund the 2013 Bonds this

calendar year if the County determines it is advantageous to undertake a refunding now instead of waiting until the call date of June 1, 2022.

Mr. Rogers discussed the proposed timetable and next steps. The EDA is being asked today to consider adopting a resolution which will allow the Board of Supervisors (BOS) to move forward with the transaction. The BOS will be meeting on May 19 to review the documents and consider a resolution. Assuming resolutions are adopted by the EDA and BOS, rating calls will take place the week of May 24 in order to get credit ratings back the following week. The proposed Bond Sale is June 10 and Bond Closing June 24.

Mr. Rogers then turned the discussion over to Mr. Kulp to review the legal documents.

Mr. Kulp stated that Hunton Andrews Kurth, LLP, as bond counsel for the transaction, is working with the EDA's counsel, Mr. Bowling, the County Attorney's office, and the Finance team to pull together the legal documents for the transaction. A master financing structure was put in place in 2003 and the master trust agreement and master financing agreement have been supplemented with each issuance. The master trust agreement is the EDA's document with a bond trustee and provides for the basic financing structure of the bonds. The master financing agreement is between the EDA and County and is the agreement pursuant to which the County agrees, subject to annual appropriation, to make the payments sufficient to pay the debt service on the bonds. The EDA is serving as a conduit issuer so is the actual issuer of the bonds, but the bond holders know the ultimate security behind the bonds is the County. There are no other EDA funds or accounts that are at risk for the financing; only the revenue received from the County is being pledged for the bonds.

The resolution the EDA is being asked to consider describes the new money projects, the potential 2011, 2013, and 2015 Bond refundings if the savings targets can be met, and approves the forms of the documents which include the Supplemental Trust Agreement, Supplemental Financing Agreement, and the Preliminary Official Statement. The EDA is being asked to approve the sale of the bonds within the parameters identified in the resolution and delegate to the EDA officers working with the County administration to execute on the financing. Parameters within the resolution include: a) principal amount of all series of Bonds shall not exceed \$110 million; b) true interest rate not to exceed 3% on tax-exempt bonds or 3.5% on taxable bonds; c) maturity date shall not be later than December 31, 2041; e) bonds of any series shall be sold to the purchaser at a price not less than 98% of the aggregate principal amount; and f) redemption provisions. The resolution authorizes a competitive public sale or a negotiated public sale. It is expected this will be a competitive public sale but allows for a negotiated public sale if necessary.

Mr. Kulp also wanted to emphasize there was no personal liability of EDA directors with respect to this bond issuance which is consistent with the EDA statute in the Virginia Code. The documents themselves include similar disclaimers about personal liability related to the EDA directors.

Mr. Long then asked if there were any questions for Mr. Kulp or Mr. Rogers on the debt financing.

Mr. Ray asked if the Authority would receive any sort of bond fee for issuing the bonds.

Mr. Kulp responded that the way it is currently set up, and consistent with prior financing, there would be no EDA fee assessed for this financing.

Mr. Munson asked for clarification on if the Board of Supervisors was looking for the Authority to review the financial structure and advise them on it or just be the entity through which this is done.

Mr. Rogers responded that the County is looking for the Authority to be the conduit. Davenport & Company advises the County Finance Team on the structure and the County Finance Team advises the Board.

Mr. Long asked if the interest rates for the taxable and tax-exempt bonds are the same.

Mr. Rogers responded that the taxable bonds are higher. It varies, depending on various things in the marketplace, anywhere between three quarters to one percent higher than tax-exempt bonds.

Mr. Long asked if the taxable bonds are marketed separately.

Mr. Rogers responded they would be sold separately – one series of bonds will be taxable bonds and one series tax-exempt bonds.

Ms. Birch advised the EDA that the County wants to get back to every other year schedule for issuing bonds. The County has not issued bonds in four years and found it is not best to use cash to support the capital funds like they have for the past four years. The County could potentially use the line of credit to reimburse themselves in the off year. Davenport & Company and the Treasury Management Team are working through this to make that determination.

Mr. Long asked Mr. Bowling if he had anything to add or any questions or comments on the documents.

Mr. Bowling responded he had looked at everything and stated this is a normal process except for this may be a public issue which is different because of the prospectus that has to be drafted and fine-tuned. Mr. Bowling said everything looked fine so far.

Mr. Deloria asked for clarification on the EDA and trustee relationship for administering the funds. Mr. Deloria stated his understanding from the Sixth Supplemental Agreement is that the trustee would be doing all the work in that respect, but wanted to confirm that was correct.

Mr. Kulp responded that was correct and stated the trust agreement already sets up the project fund, cost of issuance, accounts, and bond funding. The EDA's role is important at the beginning to issue the bonds, but after the bonds are issued, the trustee will take over and administer the bond proceeds so there is no active role of the EDA after the bonds are issued.

Mr. Bowling asked Mr. Kulp if that was standard for an issuance of this size.

Mr. Kulp responded it was and goes to the point of the EDA's role as a conduit issuer.

Mr. Johnson stated to Mr. Rogers that he would like to talk about the difference between the types of bonds being discussed today and bonds that could be issued to nonprofit organizations and how the bonds could be charged a fee as a sustainable income model for the County.

Mr. Rogers stated that typically entities such as a 501(c)(3), which is a nonprofit (e.g., private school), that come through EDAs and IDAs in Virginia have been charged fees. The fees are negotiated and discussed ahead of time so the entities know in advance there will be a fee to use the EDA as a conduit.

Mr. Kulp added that that the Albemarle County EDA has done some financing for private schools, continuing care retirement communities, and hospitals that are structured as 501(c)(3) nonprofit entities. These type entities have the ability under the IRS code to access tax-exempt debt, but they must go through a governmental issuer, like the EDA, to access the tax-exempt market. Historically, it has been appropriate for EDAs to charge fees for that access. EDAs typically do not charge fees when it is a governmental entity such as a county or city that is benefiting from the financing.

Mr. Rogers stated it might be good to talk about bank qualifications. In 2017 when Congress changed the tax code and lowered the tax rate on banks, when banks charge on a tax-exempt bank qualified fee, they pass on some of their savings. Mr. Rogers stated that since the banks are paying lower taxes, they have not seen a lot of benefit on bank qualification for some of the smaller projects. A bank qualification is only when counties are issuing less than \$10 million a year.

Mr. Kulp clarified that if the EDA agrees to do the proposed financing on behalf of the County, it forecloses a nonprofit borrower from coming to the EDA and asking if they have bank qualified capacity but it does not stop the EDA from doing a regular tax-exempt deal for that borrower. There is no cap on the EDA's ability to issue debt of any amount when the bank qualification topic is taken out.

Mr. Ray read the following **Motion to Adopt Resolution Approving a Plan to Finance Certain Public Facilities Projects and Refund Certain Prior Bonds Through the Issuance of One or More Series of Revenue and Refunding Bonds in an Aggregate Principal Amount Not to Exceed \$110,000,000:**

I move that the Economic Development Authority of Albemarle County, Virginia, adopt the resolution, as presented, related to the financing of the Series 2021 Project and authorize the Chair and Vice Chair to endorse all documents and take any action described in the Resolution to execute the plan. The motion was seconded by Mr. Munson.

MOTION: The motion passed unanimously (4-0).

Mr. McNaughton reentered the meeting.

b. Director's Report – Mr. Johnson stated there were just a couple updates for the Directors.

- 1) American Rescue Plan (ARP) – The County will be receiving funds from the ARP totaling approximately \$21 million, a portion of which is for Scottsville. The funds will be received in two tranches; one is expected this July and the other next July. In principle, the Board of Supervisors has agreed to allocate \$4 million of those funds to Economic Vitality for economic development and human services purposes. The Economic Development Team is working in concert with the Social Services Department, Finance Department, and Office of Equity and Inclusion to come up with a plan for use of those funds with the greatest return on investment. The Finance Department is taking the lead on getting this information to the Board and the Economic Development Team is behind the scenes providing conceptual ideas for the County Executive's concurrence and for the Board to later approve. The work the Economic Development Team is doing is in preparation of how to best use a portion of the funds to help our businesses either survive or reconstitute our economy. Mr. Johnson then asked if there were any questions from the Directors.

Mr. Munson noted Scottsville will be getting a similar grant as Mr. Johnson mentioned. Mr. Munson said he would be interested in the kinds of projects Economic Development is thinking about doing as Scottsville has been having a lot of discussion about what they would like to do but is always interested in having other thoughts in that process.

Mr. Johnson responded there are a lot of ideas going through the pipeline of approval, but it would be appropriate to first run them through the County Executive Office. Once they are vetted, Mr. Johnson said he would be glad to share those ideas with Mr. Munson, both those that made it through the process and those that did not. Mr. Johnson noted he believes the Finance Department is going to the Board on June 16 with some of the ideas. Mr. Johnson will plan on connecting with Mr. Munson after June 16.

Ms. Imhoff asked if there was a way to make the discussion more transparent so that other people with ideas could add their thoughts.

Mr. Johnson responded he was not in charge of the process but would share that concept with the folks in charge. Mr. Johnson noted he felt the process has been transparent to date and general discussion on what to include and not include was shared with the Board at a meeting in April and will go back to the Board on June 16 for the public to review. Mr. Johnson said they would be happy to entertain any ideas the EDA may have.

Ms. Imhoff stated it would be good to know what the parameters are and if there are any guidelines/concepts. Mr. Johnson made a note to share that information with the EDA and give them an opportunity to weigh in.

- 2) Tourism Update – Mr. Johnson said he wanted to talk a little about average daily rates and shared a chart/information from a Smith Travel Research Report which provides an in-depth look at how travel and tourism is doing across Virginia. They measure the average daily rates a county or community is able to charge, measure an occupancy rate, and then use those two numbers to get a Rev-PAR (Revenue Per Available Room) number. The Rev-PAR number is a way to look at the health of the travel and tourism community. For the week of May 2-May 8, 2021, the chart showed the Charlottesville area average daily rate (\$117.69) is as high or higher than the comparable markets. The number was also compared to May 2019 and the average daily rate exceeded the May 2019 numbers. This is important because it is a leading indicator of economic recovery. This is extremely good news in terms of what the economy may look like now and moving forward as travelers are returning and paying rates similar to 2019. The trend started a little over a month ago and is continuing to incline and trend upward. Mr. Johnson then asked if there were any questions.

Ms. Imhoff asked if the tourism office on the downtown mall was closed.

Mr. Johnson responded that the CACVB closed the downtown office to accepting visitors, opened a back office to do work, and purchased two vans to have a traveling mobile visitor center. The tourism vans are now out in the community where the people are, serving more people at a lower cost, and hopefully increasing the daily spend average while those folks are here, helping our local economy.

Ms. Imhoff asked if Mr. Johnson thought CACVB would go back to using volunteers and having a presence on the downtown mall post-Covid.

Mr. Johnson responded he did not think that was the plan but could not speak for the CACVB Board as a whole. As Mr. Johnson understands it, the plan is to have the mobile visitor center stationed on the downtown mall during key moments for the downtown mall, not to open a place on the mall itself.

Ms. McKeel noted that the CACVB has been working with the University of Virginia on their new to come visitor center and gateway to the community and will be able to have something at that facility.

Mr. Johnson stated that concluded the Director's Report.

Mr. Long stated that before going into Closed Session he wanted to ask if the County had received feedback on meetings and what the likely plan was in terms of having meetings in-person or continuing virtually.

Mr. Richardson responded that Dr. Bonds with the Blue Ridge Health District (BRHD) would be at the Board of Supervisors meeting tomorrow afternoon (May 19) to provide an overview as to the numbers in Albemarle County and the work being done for this region, specifically Albemarle County. The

County's Incident Management Team continues to work closely with the BRHD on a variety of issues. There will be discussion with the Board about alignment with the Governor's office and his most recent Executive Order and loosening of restrictions across Virginia. Regarding meetings specifically, Mr. Richardson stated the County has no plans to go back to in-person meetings at this time and is hesitant to give a date as to when the County would consider going back live. For planning purposes, the EDA should assume the County will maintain its current posture at least through the summer. Mr. Richardson shared that when the County does look at going back live, they are exploring the possibility of live along with participation from the public virtually. He stated that over 400 meetings have been conducted virtual and the public participation is as high as it has ever been for these meetings.

Ms. McKeel noted that public engagement has increased and while some folks in the public want the County to go back to in-person, there are a lot of folks that want the County to figure out a hybrid to assure no one is left behind.

Mr. Long stated that the ability to have people participate remotely would be a real benefit assuming it can be done.

c. Closed Session – Mr. Long read the following Closed Meeting Motion:

I move that the Albemarle County Economic Development Authority go into a closed meeting as authorized by the Virginia Freedom of Information Act, section 2.2-3711(A) of the Code of Virginia under:

Subsection 5 to discuss and consider: Prospective businesses or industries and the expansion of an existing business where no previous announcement has been made of the businesses' or industries' interest in locating or expanding their facilities in the community; to wit, the location and development of Project Leppard and the location and development of Perrone Robotics in Albemarle County.

Subsection 6 to discuss and consider: the investment of public funds where bargaining and negotiating is involved and where, if made public initially, the financial interest of the Authority and County would be adversely affected; to wit, performance agreements related to Project Leppard and Perrone Robotics in Albemarle County.

The motion was seconded by Mr. Munson.

MOTION: The motion passed unanimously.

Closed Meeting Certification – Mr. Long read the following Closed Meeting Certification:

I move that the EDA certify by recorded vote that to the best of each Director's knowledge, only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the motion authorizing the Closed Meeting were heard, discussed, or considered in the Closed Meeting.

MOTION: The motion passed unanimously by roll call vote (5-0)

6. **Unfinished Business**

No unfinished business was reported.

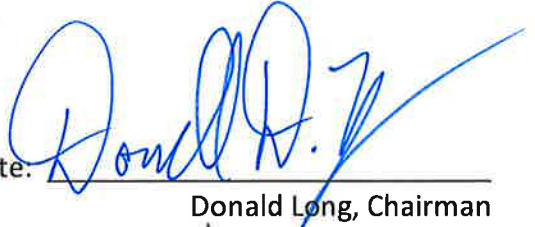
7. **Other Matters**

Mr. Johnson advised that Mr. Newberry and his wife are expecting a baby soon and he would be taking some paternity leave and may not be at the next meeting.

8. **Adjournment**

There being no further business, Mr. Long adjourned the meeting.

Teste: _____



Donald Long, Chairman

Approved: _____



David Shreve, Secretary-Treasurer



**Economic Development Authority
of Albemarle County, Virginia**

May 18, 2021

CLOSED MEETING MOTION

I move that the Albemarle County Economic Development Authority go into a closed meeting as authorized by the Virginia Freedom of Information Act, section 2.2-3711(A) of the Code of Virginia under:

Subsection 5 to discuss and consider:

Prospective businesses or industries and the expansion of existing businesses where no previous announcement has been made of the businesses' or industries' interests in locating or expanding their facilities in the community; to wit, the location and development of Project Leppard and the location and development of Perrone Robotics in Albemarle County.

Subsection 6 to discuss and consider:

The investment of public funds where bargaining and negotiation is involved and where, if made public initially, the financial interest of the Authority and County would be adversely affected; to wit, performance agreements related to Project Leppard and Perrone Robotics in Albemarle County.

CLOSED MEETING CERTIFICATION

I move that the EDA certify by recorded vote that to the best of each Director's knowledge, only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the motion authorizing the Closed Meeting were heard, discussed, or considered in the Closed Meeting.

Roll Call Vote:

	Aye	Nay	
Dir. Long	<u> x </u>	<u> </u>	
Dir. Ray	<u> x </u>	<u> </u>	
Dir. Shreve	<u> </u>	<u> </u>	[Absent]
Dir. Munson	<u> x </u>	<u> </u>	
Dir. Imhoff	<u> x </u>	<u> </u>	
Dir. McNaughton	<u> x </u>	<u> </u>	

I, Donald D. Long, Chairman, certify the roll call vote tally.



Donald D. Long, Chairman

5/18/21

Date