

February 11, 2013      Clarke County Board Of Supervisors  
Work Session and FY2014 Budget Work Session      10:00 a.m.  
Meeting Room AB

At a regular and budget work session of the Board of Supervisors of Clarke County, Virginia, held in Meeting Room AB, 2<sup>nd</sup> Floor Berryville Clarke County Government Center, 101 Chalmers Court, 2<sup>nd</sup> Floor, Berryville, Virginia on Monday, February 11, 2013.

Board Members Present

Barbara J. Byrd; J. Michael Hobert; Beverly B. McKay; David S. Weiss

Board Members Absent

John R. Staelin

Staff Present

David Ash; Tom Judge; Brandon Stidham; Lora B. Walburn

Others Present

James F. Whitley; Val Van Meter

Call to Order

Chairman Hobert called the meeting to order at 10:05 am.

A. Northwestern Regional Jail Authority Resolution Consenting to the Issuance of Bonds.

The Jail Authority has voted to authorize the refinancing of certain bonds if adequate savings can be obtained. This would permit debt financing for HVAC improvements and a new phone system, pay financing costs, and still yield savings of an estimated \$15,000/yr.

David Ash summarized the overview provided to the Board.

***Overview Northwestern Regional Jail Authority***

***Potential Refunding Opportunity***

*In 2005, the Authority issued \$16,560,000 of Jail Facility Revenue Bonds to pay the cost of constructing and equipping improvements to the Northwestern Regional Jail Authority's (the "Authority's") existing regional jail facilities. Currently, there remains a balance of \$14,715,000 outstanding at interest rates ranging from 4% to 5.25%. The bond issue has a final maturity of July 1, 2033.*

#### **Refinancing Opportunity -**

*Given favorable market conditions, the Authority has the opportunity to refinance these bonds and lock-in annual debt service savings. Based upon current market conditions, the estimated level of cash flow savings after paying financing cost by undertaking this refinancing is approximately \$2.2 million. The Authority was presented this opportunity on January 17<sup>th</sup> and passed a Resolution authorizing the transaction to proceed assuming a minimum refunding savings target can be achieved.*

#### **Additional Capital Needs**

*Also at the January 17<sup>th</sup> Meeting, the Authority identified approximately \$867,000 of additional capital items including HVAC items and a new phone system that the Board authorized to be included in this financing. These funds will be financed over a 15-year period.*

#### **The "Net" Result**

*Again assuming current market conditions, even with the borrowing of funds for the additional capital items, it is estimated that the Authority's annual debt service cost will be reduced by approximately \$15,000 except for the first year (2013) where a reduction in excess of \$100,000 is expected and the last year (2033) when the debt service reserve fund is release (savings in excess of \$500,000). The bond sale is expected to occur in March 2013.*

#### **Local Resolutions**

*Per the terms of the original Service Agreement of the Authority, each Member Jurisdiction is required to pass a Resolution prior to the Authority undertaking any borrowing.*

James F. Whitley, NRADC Superintendent, was available to the Board and stated the re-issue provided an opportunity for savings that would reduce the overall budget, as well as the locality share.

Chairman Hobert noted a typographical error in Item 6.

**Supervisor Byrd moved to approve the resolution consenting to the issuance of bonds as corrected. The motion carried by the following vote:**

Barbara J. Byrd	- Aye
J. Michael Hobert	- Aye

Beverly B. McKay	- Aye
John R. Staelin	- Absent
David S. Weiss	- Aye

**RESOLUTION OF THE BOARD OF SUPERVISORS OF CLARKE COUNTY, VIRGINIA,  
 CONSENTING TO THE ISSUANCE OF BONDS BY THE NORTHWESTERN REGIONAL JAIL  
 AUTHORITY PURSUANT TO THE SECOND AMENDED AND RESTATED REGIONAL JAIL  
 AGREEMENT AND OTHER MATTERS IN CONNECTION THEREWITH  
 2013-03R**

**WHEREAS**, the Counties of Clarke, Fauquier and Frederick, Virginia, and the City of Winchester, Virginia (collectively, the "Participating Jurisdictions"), have created the Northwestern Regional Jail Authority (the "Authority") pursuant to Chapter 3, Article 3.1 of Title 53.1 (the "Act") of the Code of Virginia, 1950, as amended (the "Code"), for purposes of owning and operating the Northwestern Regional Adult Detention Center (the "Regional Jail");

**WHEREAS**, the Participating Jurisdictions and the Authority have entered into a Second Amended and Restated Regional Jail Agreement dated as of June 1, 2005 (the "Jail Agreement"), providing for the ownership, operation and financing of the Regional Jail;

**WHEREAS**, the Authority issued its \$16,560,000 Jail Facilities Revenue Bonds, Series 2005 (the "2005 Bonds"), and its \$10,000,000 Jail Facilities Grant Anticipation Notes, Series 2005 (the "2005 Notes"), secured by a pledge of the revenues received by the Authority under and pursuant to the Jail Agreement;

**WHEREAS**, the 2005 Notes have been paid in full and are no longer outstanding;

**WHEREAS**, the Authority issued and sold its \$495,000 Taxable Jail Facilities Revenue Bond, Series 2011 (the "2011 Bond"), to the Virginia Resources Authority and used the proceeds for an energy-savings project, which bond was secured as to the pledge of revenues on a parity with the pledge of revenues securing the 2005 Bonds;

**WHEREAS**, on January 17, 2013, the Authority adopted a resolution expressing its desire to realize debt service savings by refunding all or a portion of the 2005 Bonds with proceeds derived from the issuance and sale of its Jail Facilities Revenue and Refunding Bonds, Series 2013 (the "2013 Bonds");

**WHEREAS**, the Authority has also expressed its desire to use proceeds of the 2013 Bonds to finance the cost of new capital improvements, including without limitation, a replacement cooling tower, a replacement chiller compressor, and a new telephone system (collectively, the "2013 Projects");

**WHEREAS**, the 2013 Bonds will be payable from: and secured by amounts derived from the Participating Jurisdiction Obligations (defined below) in accordance with the terms of the Act and the Jail Agreement;

**WHEREAS**, pursuant to Sections 4 and 6.F. of the Jail Agreement, each Participating Jurisdiction has each agreed to pay to the Authority amounts sufficient to pay when due the Participating

Jurisdiction's respective share of the principal of and interest on the Obligations, including the 2013 Bonds, based upon the "Allocation Formula" set forth in Section 4.A. of the Jail Agreement as such Allocation Formula may be adjusted pursuant to Section 6.F. in the event the Authority lacks sufficient funds to pay scheduled debt service on the Obligations or certain other costs (collectively, the "Participating Jurisdiction Obligations"); and

**WHEREAS**, the Authority has requested the consent of the Participating Jurisdictions to the issuance of the 2013 Bonds as provided in Section 3 of the Jail Agreement;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF CLARICE COUNTY, VIRGINIA:**

1. The Board of Supervisors (the "Board") of Clarke County, Virginia (the "County"), approves and consents, for purposes of the provisions of Section 3 of the Jail Agreement, to the issuance by the Authority of the 2013 Bonds in a principal amount not to exceed \$17,000,000, and the use of the proceeds thereof to refund the 2005 Bonds, to finance the 2013 Projects, to fund a reserve and to pay related refunding and issuance costs.
2. The Board acknowledges that the 2013 Bonds will be payable from and secured by amounts received by the Authority from the payment of Participating Jurisdiction Obligations.
3. For purposes of Section 265(b)(3)(C)(iii) of the Internal Revenue Code of 1986, as amended, the County irrevocably agrees that the amount of the 2013 Bonds shall be allocated to each Participating Jurisdiction in the same proportion that each Participating Jurisdiction has been allocated payment responsibilities under the "Allocation Formula," determined for Fiscal year ending June 30, 2012, under the Jail Agreement with respect to the 2013 Bonds.
4. The Board authorizes and consents to the inclusion of County information in the Official Statement (in its preliminary and final forms) to be prepared by the Authority for purposes of marketing the 2013 Bonds and hereby directs County staff to assist the Authority in the preparation of such County disclosure.
5. The County Administrator is hereby authorized and directed to execute and deliver such documents and certificates as are necessary to enable the Authority to issue the 2013 Bonds, to refund the 2005 Bonds and to finance the 2013 Projects, including, but not limited to, a continuing disclosure agreement and closing certificates requested by the Authority and its bond counsel. Any other County official so designated by the County Administrator is hereby similarly authorized and directed to execute and deliver such documents and certificates.
6. All other acts of the officers of the County, heretofore or hereafter taken, that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the 2013 Bonds, the refunding of the 2005 Bonds and the financing of the 2013 Projects by the Authority are hereby approved, ratified and confirmed.
7. Nothing in this Resolution or in the Jail Agreement is or shall be deemed to be a lending of the credit of the County or other Participating Jurisdictions to the Authority or to any holder of any of the 2013 Bonds or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of the County or the other Participating Jurisdictions within the meaning of the Constitution of Virginia.

8. This Resolution shall take effect immediately.

**[Extract Of Minutes Here]**

The undersigned Clerk of the Board of Supervisors of Clarke County, Virginia, hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the Board of Supervisors held on February 11, 2013, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing resolution, a quorum was present.

Members present at the meeting were: Barbara J. Byrd; J. Michael Hobert; Beverly B. McKay; David S. Weiss

Members absent from the meeting were: John R. Staelin

Members voting in favor of the foregoing resolution were: Barbara J. Byrd; J. Michael Hobert; Beverly B. McKay; David S. Weiss

Members voting against the foregoing resolution were: None

Members abstaining from voting on the foregoing resolution were: None

**WITNESS MY HAND** and the seal of the Board of Supervisors of Clarke County, Virginia, this 19th day of February, 2013.

[SEAL]

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David L. Ash - Clerk, Board of Supervisors of Clarke County, Virginia

**B. Review of FY 12 Financial Report**

The final report has been distributed. You may wish to bring your hard copy to meeting. This document will be reviewed. Also attached is the benchmark report for similar localities.

Joint Administrative Services' Annette Gilley and Tom Judge appeared before the Supervisors to review and answer questions pertaining to the financial report prepared by Robinson Farmer Cox. Highlights include:

- Primary Governmental Activities: Debt belongs to the County therefore school debt service is shown in this item.
- Schedule 1:
  - Lists revenues for local government.
  - Does not include the Industrial Development Authority or the Sanitary Authority.

- Does not reflect fund balance.
- Schedule 2 lists expenditures
- Table 9 lists carry-over funds.
- Exhibit 3 lists County assets, liabilities but does not include fixed assets such as real property.
- Deferred revenue in Liabilities is shown as Taxes receivable in Assets. Deferred revenue primarily represents the December tax billing.
- The report includes FY2011 carryover funds [approximately \$134,000] given back to the Schools at the end of FY2012.
- Exhibit 4 shows adjustments that tie back to Schedule 1.
- Non-major government funds are explained under Overview of the Financial Statements.
- Investments are discovered under Note 3-Deposits and Investments.
- Note 6 - Capital Assets – asset summary.
- Note 8 – Long-Term Obligations.
  - Compensated absences [leave liability] are included in this summary. The Chair noted a \$70,219 decrease in FY2012 from FY2011.
  - Schools' and County obligations including bonds are here listed.
  - Chairman Hobert suggested tracking compensated absences and VRS obligations separately, if possible.
  - David Ash commented that the State annually performs actuarial studies on VRS obligations; and annually the State fails to contribute its share.
- Note 14 - Conduit Debt:
  - Winchester Medical Center, Inc. has no scheduled payment of principal; it was anticipated that the debt would be outstanding for the term of the loan with a balloon payment.
  - Heritage Day Care Center is a locally operated non-profit.
- Note 16 - Surety Bonds:
  - The Compensation Board is no longer paying these bonds.
  - Further discussion is needed on this topic.
- Exhibits 26 through 31 summarize the School's audit.
- Exhibits 32 through 34 summarize the Sanitary Authority audit.
- Exhibits 35 through 37 summarize the Industrial Development Authority's audit.

- Audit report also includes history reports and Schedule of Expenditures of Federal Awards.
- Table 5 Property Tax Levies and Collections includes historical data of delinquent tax collections. Annette Gilley will seek clarification from the auditor on how the figures are derived.
- Tom Judge concluded that the audit cost was approximately \$26,000 and that Robinson Farmer Cox found no concerns.
- Robinson Farmer Cox did suggest additional measures to prevent fraud.

At 11:30 am, Annette Gilley left the work session.

#### C. FY2014 Requested Budget

Chairman Hobert asked the Supervisors to review the current budget documents. He specifically requested review of capital and applications for capital and operating from various agencies. He urged members to provide their questions and/or comments to the Finance Committee.

Supervisor McKay interjected that agencies should expect to tighten budgets in the same manner as the private sector has done and continues to do to survive in these difficult economic times.

Vice Chairman Weiss, noting the shifting of financial liability from the state to localities, opined that the County must look at priorities and program continuation.

Supervisor Byrd stated that she would not be inclined to ask her constituents for a tax increase.

Chairman Hobert put forward that the County could not afford the projected budget increases unless it raised taxes, made more extensive use of fund balance and/or eliminated programs.

#### D. FY2014 Proposed CCPS Budget.

Chairman Hobert advised that the Schools' budget had not been discussed by the Board of Supervisors Finance Committee.

Supervisor Byrd, a member of the Schools' Safety and Security Committee, indicated she anticipated requests for funding to implement stronger safety measures, as well as the addition of security personnel at the schools.

#### Adjournment

There being no further business to be brought before the Board at 11:44 am Chairman Hobert adjourned the Work Session and FY2014 Budget Work Session.

Approved February 19, 2013

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### Next Budget Work Session

The next FY2014 Work Session is set for Tuesday, March 5, 2013 at 10:00 a.m. in Meeting Room AB, 101 Chalmers Court, 2nd Floor, Berryville, Virginia.

ATTEST: February 11, 2013

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J. Michael Hobert, Chair

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David L. Ash, County Administrator

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Minutes Recorded and Transcribed by:  
Lora B. Walburn  
Deputy Clerk, Board of Supervisors