Nelson County Economic Development Authority

March 27, 2024

Present: Larry Saunders, Richard Averitt, John Bruguiere, Carlton Ballowe, Alphonso Taylor, Deb Brown (tardy)

The meeting was called to order.

There was no public comment.

Motion: To approve the February and March meeting minutes as written. (Bruguiere-Averitt) 5-0

Discussion ensured regarding the April 10, 2024 meeting to execute the Bond Anticipation Note for the school renovation and the Department of Social Services (DSS) building.

At the last meeting, County bond counsel (Sands-Anderson) and financial advisor (Davenport) reviewed the 3 types of revenue sources for the projects.

John Bruguiere says that in his opinion, there are 3 issues to be discussed: the cost ($10 million) of the DSS project; the EDA gifting the Callohill property to the County; and the school renovation project ($25 million). His concern is the financial health of the County and believes that the County should do the work in stages and as it can afford to do without incurring further debt. He mentioned the decision by the Board of Supervisors to raise the transient occupancy tax (TOT); while the inventory of lodging stock is declining and the market is cooling, raising the lodging tax makes Nelson County less competitive. He asked how much of the $31 million in reserve is already allocated. He asked about the 3% of the TOT; has that been allocated to tourism development as per state code?

John said that there are issues with DSS. The EDA should not just rubber stamp the decisions that the Board of Supervisors make; there are questions about the project that should be answered. He cited the Larkin property as an example – spending tax dollars with no return on investment, a continued source of debt and expense to the taxpayers. He suggested that there are other viable options. For example, DSS is a state agency, should not the state pay for the new building? John said that when Steve Carter retired, there was a $31 million surplus. He noted declining enrollment and a lack of attention to deferred maintenance at the school as a reason for the need for renovations. John said that the role of the EDA is economic development; he used the examples of the EDA’s role with California Sidecar and Turman-Tye. He asked why the County was doing both short and long term financing; that doubles the cost of using bond counsel and the financial advisors. At the end of the meeting, John said that the owner of the former IGA/El Mariachi restaurant would sell the County that building for $995,000 or appraisal price, whatever is higher.

Richard Averitt asked: What is the target reserve (in dollars) that the county thinks it needs to be fiscally secure? Can we save the county/tax payers money by financing the first phase of the project out of those reserves if we have a surplus? What role does the BOS want the EDA to play in supporting their initiatives? While I generally think that it is wise to borrow capital when the market spread between the cost of capital and the return on capital is greater than 1% in your favor, in the case of a county that has excess reserves, how do we use those “profits” to benefit the country tax payers?

He stated: I am uncomfortable leveraging my role on the EDA to block the BOS since I am not elected by my fellow Nelsonians to make these decisions. Nonetheless, it feels like the EDA should be used in a proactive and advisory manner to support the overall economic development in the county and to help advise on strategic financing options where there is uncertainty or risk for the county tax payers.

Larry Saunders said that he needed more details before making a decision.

Alphonso Taylor said that the EDA is an advisory body for the Board of Supervisors, but cannot stop the Board from making decisions such as this. He asked if the EDA said no to the bond anticipation note, would it go to referendum. Even if the matter went to the voters, he asked if it would change anything. He said a referendum would delay the project and increase the costs and the interest rate might change. He suggested that the EDA continue the conversation and get answers to its questions but ultimately the Board of Supervisors decide on the course of action, with the EDA in the role of financial conduit. However, as taxpayers, EDA members should let their supervisors know their concerns.

Deb Brown said that the EDA was in the same situation as the last bond issuance. The EDA can disagree with the board’s decision, but our role is to help with the financing.

Carlton Ballowe thanked everyone for the points they made.   He said the EDA has been asked to facilitate the financing elected Supervisors have judged to be the most cost effective.   He doesn’t believe it is the proper role of the EDA to substitute its judgement for that of the Supervisors who were elected by, and answerable to, the voters of Nelson County.   Just as with every other Nelson resident, the time for EDA members to offer alternative suggestions is when public hearings are held on the matter in question.   We have asked certain questions of clarification of the Supervisors, let’s wait for their answers.

Virginia State Code authorizing Industrial Development Authorities:

<https://law.lis.virginia.gov/vacode/title15.2/chapter49/section15.2-4901/>