

BATH COUNTY SCHOOL BOARD

AGENDA ITEM: INFORMATION { } ACTION { X } CLOSED MEETING { }

SUBJECT: **SUPERINTENDENT’S REPORT - ACTION**

Resolution to Refinance Current VML/VACO High School Loan

BACKGROUND: The Board of Supervisors has pursued options for refinancing the 2008 high school loan. Daniel Siegel, Attorney, Sands Anderson PC, will explain School Board’s involvement in this process.

RECOMMENDATION: The School Board will need to adopt a resolution for the refinancing process to move forward.

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New loan for high school will save money for Bath

BY MIKE BOLLINGER • STAFF WRITER

WARM SPRINGS — The Bath County Board of Supervisors and Industrial Development Authority passed resolutions Tuesday to refinance the Bath County High School renovation loan.

The original agreement was finalized in December 2008 through the Virginia Municipal League and the Virginia Association of Counties. It was backed by a letter of credit from Bank of America. Because Bank of America's rating was recently downgraded, the variable interest rate on the loan was likely to rise, causing the county's monthly debt service payments to increase.

In separate presentations to supervisors and the IDA, bond counsel Dan Siegel of the Richmond firm, Sands Anderson and Associates, explained the details of the loan. The interest rate on the 10-year, fixed-rate loan will be 2.25 percent.

The principal amount of the original loan was about \$9.1 million. The resolutions call for the new loan to be for no more than \$10 million.

Basically, Siegel said, the school board and the county will lease the rights to the high school to the IDA, and the IDA will lease those rights back to the county. The county's monthly payments on the loan will serve as the "rent" payment, Siegel said.

"The IDA will be part of a lease transaction. In order to issue tax-exempt bonds, the IDA has to be a party," Siegel said. "The IDA is sort of a conduit to issue the bonds on behalf of the county. The IDA has no liability."

This kind of lease arrangement for borrowing is commonly used by governmental bodies in Virginia. Siegel noted his firm is working on a similar loan in Cumberland County.

The largest expense the county will incur with the new loan is a termination fee to Bank of America. James Sanderson of Davenport and Associates of Richmond, the county's financial advisor, estimated that payment to be between \$850,000 and \$900,000 depending on the interest rate at the time of closing on the new loan.

Even with the termination payment, Sanderson said the county would save between \$900,000 and \$1 million in debt service by refinancing. Siegel said the county's strong financial position helped it secure the low interest rate. "You guys are in a great financial position. That's why you got such a great deal," Siegel said.

In addition to the termination fee, the county will also have to pay \$7,500 to VML/VACo for their costs associated with terminating the original loan.

The school board will consider a similar resolution at its Aug. 7 meeting. The industrial development authorities of Stafford County and Staunton, who were a part of the original loan, will meet Aug. 9 and are expected to take necessary action for the refinancing, Siegel said.


Also Tuesday night, supervisors authorized tourism director Maggie Anderson to advertise for a tourism coordinator.

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Applications will be accepted through Aug. 19.

The board also declared a vacancy on the Bath County Public Service Authority board from Williamsville District. Greg Tuning was appointed to fill that vacancy.

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