

AT A JOINT MEETING OF THE ROCKBRIDGE COUNTY BOARD OF SUPERVISORS AND THE ECONOMIC DEVELOPMENT AUTHORITY, LEXINGTON CITY COUNCIL, AND LEXINGTON INDUSTRIAL DEVELOPMENT AUTHORITY HELD IN THE MEZZANINE AT THE VIRGINIA HORSE CENTER AT 487 MAURY RIVER ROAD, LEXINGTON, VIRGINIA ON THURSDAY, OCTOBER 27, 2016 AT 5:00 P.M.

PRESENT: CHAIRMAN J.M.HIGGINS
MEMBERS: R.R.CAMPBELL, R.S. FORD
A.W.LEWIS, JR., D.W.HINTY, JR.
CLERK TO BOARD: SPENCER H. SUTER

A special interjurisdictional meeting was held to receive information and discuss the Virginia Horse Center's (VHC) capital improvement plan and potential debt refinancing.

Chairman Higgins reconvened the County Board of Supervisors meeting that had been continued from October 24th.

Vice-Chairman of the County EDA Gene Tilles convened the EDA.

Lexington City Council and IDA convened.

Rockbridge County Administrator Spencer Suter started the meeting with a brief overview of the history of the City's and County's support of VHC with the transient tax. Mr. Suter indicated that this meeting was for informational purposes only and that no action needed to be taken by any Board or Authority. Should the bodies determine to do so, action would need to be taken separately by each at either a regularly scheduled meeting or at a special meeting.

Lexington City Manager Noah Simon gave a brief update on actions taken to date with the VHC. He indicated that the City will meet on

November 3rd to discuss these items in their work session and regularly scheduled meeting. He also indicated that the City's IDA will meet on November 7th for discussion.

Mr. Suter added that the Board of Supervisors and the County EDA plan to hold a joint meeting to discuss the VHC on November 14th.

Mr. Simon noted that the VHC had two major items to present: the debt service for the New River Bank (NRB) loan, which has a large balloon payment due in 2017; and deferred maintenance that needs to be financed and completed to make the VHC relevant in an increasingly competitive environment.

Executive Director of the Virginia Horse Center John Nicholson thanked all those present for their time and voiced his appreciation for the efforts of both the City and County in aiding the VHC over the past few years. He stated that another purpose of the meeting was to inform every one of the proposed plan to hire a firm to formulate a Comprehensive Master Plan (CMP), as well as present plans to refinance the USDA loan. He reviewed the VHC's prior capital improvement plan and discussed the maintenance items which still need to be completed. He noted that the total cost of the combined remaining projects exceeds the amount of remaining funding available through the Cornerstone Bank loan. He further indicated that the VHC had determined that while "patches" could be done to drainage, water, and other systems, they would likely just be temporary and could led to additional expense in the future.

Mr. Nicholson added that he has been working with Mr. Suter, Mr. Simon and the VHC Board to consider options for funding the comprehensive plan and associated improvements. One option is to refinance the USDA loan and borrow more money to complete the deferred maintenance, while locking in a lower interest rate. Mr. Nicholson stated that hiring a firm to formulate a CMP for the VHC would cost \$98,000. Mr. Nicholson indicated that the VHC Board felt this was the best use of available funds because it looks at the bigger picture. He also mentioned facilities similar to the VHC in nearby states, indicating that those facilities are financed by wealthy private owners and sometimes by the state itself; therefore, they are in better physical condition and able to secure more top-rated shows than can the VHC. He reiterated the VHC's request that the Board, Council and Authorities consider approving the use of \$98,000 to hire a firm to formulate the CMP - and to approve the refinance of the USDA loan with additional funds borrowed to complete deferred maintenance. The refinancing of the USDA loan will require an additional commitment of five years' worth of the 1% transient occupancy tax.

Mr. Nicholson then stated that Mr. Steven McBroom, past Chairman of the VHC Board, had passed away recently. He indicated that Mr. McBroom was listed on the NRB loan, a term of which had required a \$500,000 life insurance policy. He noted that the planned use of the policy proceeds is to stem cash flow issues at the VHC rather than applying it to the balance of the loan, which is over \$700,000. He stated that the plan would be to use refinancing proceeds to pay off the NRB Loan. He concluded with an offer to donate a portion of VHC property which would be unencumbered when

the New River Bank was paid, for use as athletic fields, indicating that such a move would be symbolic of the cooperation and support between the VHC and the localities.

Mr. Suter indicated that some time ago there was discussion with a contractor about donating the grading work needed to make the VHC fields playable; the proposed site has lately been used for the Farm Bureau tractor pull. He advised that it was his understanding that the tractor pull venue must now be relocated due to insurance issues. He reminded the group that past discussions on development of youth athletic fields at VHC had stalled when it was revealed that the land was pledged as collateral for the NRB loan; once that is paid off, discussions can resume.

Mr. Nicholson informed those present that the VHC's financial health has improved over the past two years ago, thanks to local support. He indicated that the CMP and refinancing are the next step to making things even better.

Mr. Suter asked that parties present continue to challenge the State to re-engage in support of VHC, especially considering the overall benefit to the Commonwealth's revenues.

Mr. Simon agreed and referenced a mid-2000's study by the Weldon Cooper Center which showed considerable revenues generated by the VHC.

Mr. Nicholson stated that the CMP will open funding doors for the VHC.

EDA Member Janie Harris asked if the life insurance policy was going to be used to pay off debt.

Mr. Nicholson responded that the money would be used to plug cash flow issues rather than pay off debt.

Mr. Suter helped clarify the four refinancing options which had been considered when local and VHC officials made a recent visit to the US Department of Agriculture in Washington, DC. He explained that the USDA would refinance any borrowing at a newer, lower interest rate, conditioned on borrowing an additional amount in excess of the amount being refinanced. He noted that there were four potential loans which could be considered for refinancing:

- 1) USDA Loan 1 - Approximately \$5.6M - Would need to borrow an additional \$5.6M - Not feasible to repay in the short term
- 2) USDA Loan 2 - Approximately \$5.6M - Would need to borrow an additional \$5.6M - Not feasible to repay in the short term
- 3) Cornerstone Bank Loan - Approximately \$140K - Would need to borrow an additional \$140K - There is no reason to refinance this amount for a longer period, as the loan is slated for payoff in only three years.
- 4) New River Bank Loan - Approximately \$769K - Would need to borrow an additional \$769K - This is the most reasonable approach. It would:

- a. Resolve the looming issue of a balloon payment in 2018

- b. Provide \$769+K of cash to address some capital/deferred maintenance issues, and
- c. Provide a more reasonable payoff period (term) of an additional 5 years.

Mr. Simon added that City, County and VHC staff travelled to Washington, D.C. to discuss the loan refinance with USDA, and to talk about State involvement with the VHC. He stated that after that visit it was determined that refinancing the USDA loan or borrowing additional funds were the only options for locking in the lower interest rate.

Mr. Suter advised that the proposed interest rate is only guaranteed to the end of the year.

Mrs. Harris asked if the proposed improvements would be done in a year or over a period of years.

Mr. Nicholson replied that the improvements would take at least a couple of years - but the sooner the better.

Lexington IDA Member Dan Vance asked for clarification on the possibility of developing the athletic fields.

Mr. Suter replied that a benefactor had expressed willingness to help develop the fields. He was not certain if that offer still stood, but said would explore that option if the land were made available. He indicated that the high school needs additional practice and playing fields.

Lexington City Council Member David Sigler stated that if tax dollars are being committed to the VHC, then there needs to be something to show for it. He indicated the fields would be a way to show the tax payers the benefit of using the occupancy tax to support the VHC.

Lexington City Council Member Patrick Rhamey asked if a comparison of tax dollars collected on show weekends and non-show weekends could be provided.

Mr. Suter indicated that that tax collections are received monthly, with no way to track by a specific day or week.

Supervisor Campbell mentioned that VMI and W&L work with the VHC when scheduling events to prevent hotel shortages.

Supervisor Ford stated that annual monthly receipts from year to year could be compared. He added that once before, an abnormally low monthly collection coincided with a major VHC event that was cancelled. He asked Mr. Bolster to look into that.

Mr. Suter noted that he had contacted the Weldon Cooper Center to see what it would take to update the economic impact study Mr. Simon had referenced earlier in the meeting.

Supervisor Lewis stated that there was a strong effort with Senator Deeds last year to get support for the VHC and that we need to go that route again since no funding materialized.

Mr. Simon suggested that the push should be to get the funding into the Governor's version of the budget, since it is harder to add such funding via the general assembly.

Mr. Nicholson stated that the State cannot directly fund a 501(c)3; however, the VHC could receive funds disbursed through other state-funded entities.

EDA Member Robbie Faulkner asked how the VHC had done financially for the fiscal year ending in June, 2016.

Mr. Nicholson responded that three years ago the VHC was in "critical" condition. He added that the condition has improved to "serious" and is now "serious/guarded".

Sandra Thomas, accountant for VHC, stated that there is less cash on hand, but that accounts payable have been reduced. She stated that revenues had gone up from \$3.9 million in 2015 to \$4.8 million in 2016, but that expenses increased slightly as well.

Mr. Vance asked what would make up a "typical" family that attends shows at the VHC.

Leigh Anne Claywell, VHC chief operating officer, indicated that family demographics vary depending on the type of show. She added that there are budget spenders and high dollar spenders at every show. Mrs. Claywell indicated that she felt at least a couple of hundred dollars are spent per family at each show.

Mrs. Harris stated that the VHC is a big business for the County and that we need to realize that the VHC has a huge economic impact, especially since many types of industries do not "fit" here. She indicated that she does not see an issue with the items proposed and she hopes we can come to an accord on this.

The meeting concluded with a brief discussion of how to collect revenues from AirBNB's.

Adjourn

Supervisor Hinty moved to adjourn. Supervisor Lewis provided the second, and the motion carried by the following roll call vote:

AYES: Hinty, Lewis, Campbell, Ford, Higgins
NAYES: None
ABSENT: None