



**Minutes of the  
Colonial Beach Town Council Special Meeting  
Joint Meeting with Colonial Beach School Board  
Wednesday, February 12, 2014 at 5:00 p.m.  
Continued on  
Monday, February 17, 2014 at 6:00 p.m.**

Colonial Beach Town Center  
22 Washington Avenue  
Colonial Beach, VA 22443

**Present**

Mayor, Mike Ham  
Vice Mayor, Tommy Edwards  
Member, Pete Bone  
Member, Linda Brubaker  
Member, Jim Chiarello  
Member, Wanda Goforth

**Also Present**

Town Manager, Val Foulds  
Town Clerk, Kathleen Flanagan

**Town Council Reconvene**

At 6:00 p.m. Mayor Ham reconvened the Town Council meeting which had been recessed at 5:47 p.m. on February 12, 2014.

**Roll Call of Town Council Members**

All members of Town Council were present, with the exception of Gary Seeber who is out of town.

**School Board Reconvene**

School Board Chairman Tim Trivett called the Colonial Beach School Board to order.

## **Roll Call of School Board Members**

All school board members were present.

## **Continuation of Special Joint Meeting**

Mayor Ham noted that a draft Resolution and a Draft Memorandum of Understanding had been distributed to Council and School Board for discussion.

Mr. Trivett noted that in October there was no mention of – we talked about getting a loan and how to pay it back. “After reading this, this is a legal document. No one is prepared to sign this tonight.” “This is talking about you’re going to cut our budget if we can’t pay back the \$448,000 from our budget. If you cut \$448,000 from our budget the school will close.’ “It would be a disaster if we had to cut our budget from \$500,000.”

Mayor Ham noted “It would equally be a disaster for the town to be out \$500,000. We don’t have the money. We’re talking about a way to front the money and then going forward with the loan, which we had discussed earlier. If the insurance proceeds were not enough, then we would talk about what our original intent was, you all turning some property back over to the town for us to see if we could sell – borrowing the money up front to move the school – that’s what started the \$1 million loan talk in the first place. At that time there was no talk about insurance proceeds to pay it back. The idea would be we could use the property to pay for it. It may even take a penny or two tax increase to make the payment on it.”

“What we’re talking about here, we’re fronting \$448,000. We’re going to go forward for a loan for \$1 million, which would basically get us to the point of moving the modpods, getting the modpods set up at the high school campus and doing the upgrades and repairs that we need to do at the high school.”

Mr. Trivett noted “To commit to this without having all the details, it’s really difficult to do.”

Ms. Brubaker noted this was the first time today that she has seen the document, which was prepared by the Town Attorney. However, it does not commit this Council to this bond and I think that needs to be in here.

Ms. Brubaker then asked about funds that the school has owed to the town, which was not paid back.

Mr. Trivett noted that for four or five years the School Board gave back several thousand dollars, totaled approximately \$400,000. The auditor has even suggested that it be removed.

Mr. Bone noted that Council is under the assumption, per the document given to the Council by the School Board, that many of those items are reimbursable under insurance.

The million dollar bond is a separate action, so that’s the reason it’s not in there.

Mr. Bone further noted if there are items within the General Fund that we could couple with that bond, that's what Council needs to look at.

Mr. Trivett answered "I think what's in the policy is \$100,000 for immediate expenses." "The building itself had \$2,025,000 on the building. But then they want to depreciate the years and the age – I really don't know and it's not fair for me to even try to speculate."

Mr. Chiarello noted the MOU represents how Council presents itself to the taxpayer -- that we're operating in good faith with honorable intentions.

Ms. Erard noted there is a state code section that covers school boards borrowing money and when preparing the MOU she used the maximum amount of time.

Mayor Ham said the insurance company is not going to pay you \$448,000 for the move. "What they're talking about for the additional \$100,000 for upfront costs, that's fencing, that's moving the school to Oak Grove, that's what had to be done immediately. The long term, the \$448,000 discussed long before the fire was to get the school to the high school campus. The thought of paying it back, we were talking about taking out a million dollar loan to fund moving the elementary to the high school campus and paying for the needed improvements at the high school. The school would turn some property over to the town to include the old high school, before it burned."

Mayor Ham asked if property equal to the amount of \$448,000 would satisfy the MOU.

Ms. Erard said "That would be your decision to make and you could do that."

Mayor Ham further noted the long term solution is to build a permanent building.

Mr. Trivett asked "At what time do we look to the Memorandum of Understanding?"

Mayor Ham answered the loan could be a combination loan, but it would be cleaner to keep it separate.

Ms. Brubaker agrees with Mr. Chiarello, but questioned if the property was turned over in lieu of payment, would the property equal the \$448,000, and, if not, could the town withstand that hit.

Mayor Ham explained if the town goes forward with the loan, it would be a long term loan.

Ms. Brubaker explained she is looking for concrete answers about the \$1 million loan.

Mayor Ham answered "We do, Val can update us." "We're talking about cash-flowing a portion of the \$448,000 until the loan comes in."

Mr. Bone said his understanding was the million dollar loan was on top of funding the \$448,000.

Mayor Ham answered “The million dollar loan, as initially planned, was to fund what we’re now talking about as the \$448,000 move to the elementary school, plus about \$600,000 was for repairs at the high school.”

“If there is insurance reimbursement, that would be great. We were asking how would the town be able to cash flow this – come up with the money we need based on the timeline they gave us until the loan proceeds came in and we could start drawing. At that time, it turns into a long-term thing. You’re talking a 20-year bond issue, 15-year, whatever. We even went so far to say if insurance proceeds come in, can we pay it off. There is probably a penalty for that and we would have to weigh what would be in the best circumstances there.”

“What we’re talking about is cash-flowing a portion of the \$448,000 until the loan proceeds come in. That’s what I thought we were talking about.”

Mr. Bone asked “If this is part of the million, then we have no problem knowing where the money is coming from; we’ll take the first \$448,000 from the bond. Then you’ll only get \$600,000.”

Mr. Trivett responded “Correct.”

Mr. Bone noted “My understand was that this was a separate entity and we’re looking at funding the schools and the modpod move. And then there was a million dollar bond on top of that. So your lights and your repairs and renovations to the high school, you’re telling me they are not needed and this is \$448,000 that is needed more.”

Mr. Trivett answered “If you took the \$1.2 million, and you subtract this from that, you’ll still have enough money to do the repairs.”

Mr. Bone asked why borrow \$1.2 million if you only needed \$800,000 in the first place.

Mr. Bone asked how do you figure those numbers in a bond issue?

Mr. Trivett answered “In September we talked about moving all the facilities to one facility, to the high school. And we looked at the cost of what it would take to do that back in September before the fire ever came into play.”

Mr. Bone asked “And that’s incorporated? That makes it easier because you know you’ll get the insurance proceeds and we know that we’ll get the money because if we do a bond it requires, I’m assuming, a \$40,000 debt service per year for the repayment of the bond. That requires a penny increase on the tax rate.

My understanding was that these were separate. But if this is incorporated in that, then it should be easy for you to pay us within a year.

Mr. Trivett answered “No, it wasn’t within a year, it was over a longer period of time.”

Mayor Ham noted “If I gave you a half million today and you got a million dollar loan six months from now and had to give me back a half million, you still got the million dollars.”

Ms. Goforth noted the cost of the clean up of the fire -- somebody has to pay for that, so that should be added to the \$1.2 million. “Is it going to be the town? Do we want another expense?”

Mr. Trivett answered “The insurance company will pay for that.”

Ms. Erard does not recommend any document be executed until Council know when they will be getting the money, or when they have the money.

Ms. Foulds noted she spoke to Mr. Folk on Friday and was told he believed we could have the funds in six weeks to eight weeks.

Ms. Beane said March 1<sup>st</sup> is the deadline.

Ms. Erard further noted both the School Board and Town Council would need to amend their budget and appropriate it. Does this all need to be done by March 1?

Ms. Beane answered said an initial small chunk of \$25,000 would be needed.

Mr. Bone noted on the day we get loan approval we can ask for a draw of \$448,000 and receive it within three days. Once the bond is approved; once we vote on how to make the repayment, that’s all within six weeks.

Mayor Ham said some payments are due before that and Council needs to decide if we can cash-flow those payments.

Mr. Bone said he believed the town could absorb that amount.

Mayor Ham said there was a misunderstanding about the insurance company – the insurance company is not going to pay for the relocation, that was planned well before the fire.

Ms. Brubaker asked if Council was going to move forward. Council will not vote tonight on the Memorandum of Understanding.

Ms. Erard noted if it is one issue, this MOU does not encompass what it needs to; I am very uncomfortable with us advancing funds to the schools to do what they need to do without us knowing that those funds are going to come from somewhere. Maybe we need a backup plan that if the VML/VACO bond issuance doesn’t work other, what other avenues we could explore.” “I would not recommend moving forward with projects unless we know that we have the funding ascertained for those projects.”

Mr. Trivett noted there is no doubt the Board will get insurance money, they just don't know the amount.

Ms. Erard suggested changing the MOU as follows:

(1) paragraph 1, the second line, it would say "The Town agrees to lend the sum of \$25,000 to the School Board for the purpose of initiating the relocating of elementary school students."

(2) Change all references to amount to \$25,000.

This would get the Board through the March 1 deadline.

Mr. Bone asked why do we want to come back. If we get the bond and it incorporates the \$448,000 then we should be confident we're getting our own money back.

Mr. Bone recommended signing the MOU contingent upon their approval.

Ms. Foulds reported that all documentation for the bond was submitted. Based on the analysis VML/VACO has done, the next step is for the documentation to go out to banks for the loan.

Mr. Bone stated "I have never seen, when you put the full faith and credit of the town, that you won't get a loan."

Ms. Brubaker asked "Worst case scenario, we don't get the bond, but they still have to move these children somewhere, they still need the \$448,000, can we sustain \$450,000 until this entity can start making payments back to us?"

Ms. Erard said a good Plan B would be for the School Board to seek VPSA bond issuance financing. The board does need the approval of the town, but you can seek financing such as VPSA.

Mayor Ham summarized that the children could continue to go to school at the elementary campus if the old high school building is torn down and no longer considered a collapse zone. Long term consolidation on one campus has been under consideration. The property would come back to the town to sell to a developer as a means of funding repayments on this loan.

Mayor Ham is hoping the insurance proceeds cover tearing down the old high school. Mayor Ham said we are not looking for the loan proceeds to cover the \$448,000. That, all along, was intended to be a cost we were going to eat as a town in order to get the school over there and look at what it would take, a tax increase or whatever, to get the \$40,000 or \$50,000 a year to pay that back over time.

## **Resolution #18-14**

Mr. Bone made a motion to approve the Resolution #18-14 contingent upon approval of the School Board. Ms. Goforth seconded the motion.

Mr. Chiarello noted if you double the million to two million, it doubles the scrutiny.

Mr. Bone noted the town would be approved based upon its good faith and credit.

Ms. Erard suggested that this matter be addressed at the 7:00 p.m. regular Town Council meeting.

Mayor Ham called for a voice vote on Resolution #18-14, All in favor signify by saying aye. The ayes were unanimous. Resolution #18-14 passes, contingent upon approval of the School Board.

-----Resolution #18-14-----

**RESOLUTION#18-14, APPROVING LOAN TO SCHOOL BOARD**

**WHEREAS**, the Colonial Beach School Board has requested the sum of \$448,565 from the Colonial Beach Town Council, in anticipation of insurance proceeds, so as to relocate the elementary school students to the high school campus on First Street in Colonial Beach; and

**WHEREAS**, the Town Council wishes to fully support the Colonial Beach School Board following the devastating fire on January 5, 2014; and

**WHEREAS**, the Colonial Beach School Board promises to promptly repay the Town upon receipt of any and all insurance proceeds.

**NOW, THEREFORE, BE IT RESOLVED** by the Colonial Beach Town Council at its meeting on February 17, 2014 that the attached Memorandum of Understanding / Promissory Note between the Colonial Beach Town Council and the Colonial Beach School Board is approved and the Mayor is authorized to sign the document in duplicate originals on behalf of the Town Council

-----End of Resolution-----

**Adjourn**

Mr. Bone made a motion to adjourn. Mr. Chiarello seconded the motion. Mayor Ham adjourned the meeting at 7:00 p.m.

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Kathleen Flanagan, Town Clerk

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Mike Ham, Mayor