An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on September 27, 2018, at 3:00 p.m., Lane Auditorium, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from September 12, 2018.

PRESENT: Mr. Norman G. Dill, Mr. Ned Gallaway, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer and Mr. Rick Randolph.

ABSENT: None.

OFFICERS PRESENT: County Executive, Jeff Richardson, County Attorney, Greg Kamptner, Clerk, Claudette Borgersen, and Senior Deputy Clerk, Travis O. Morris.

SCHOOL BOARD MEMBERS PRESENT: Ms. Kate Acuff, Mr. Jonno Alcaro, Mr. Jason Buyaki (arrived at 5:33 p.m.), Ms. Katrina Callsen (arrived at 3:36 p.m.), Mr. Stephen Koleszar, Mr. David Oberg (arrived at 3:05 p.m.) and Mr. Graham Paige.

Agenda Item No. 1. Call to Order. The meeting was called to order at 3:01 p.m., by the Chair, Ms. Mallek, and the Chair of the School Board, Ms. Acuff.

Agenda Item No. 2. Introduction.

Ms. Rosalyn Schmitt, Chief Operating Officer of Albemarle County Schools, stated that she and Ms. Lori Allshouse would be providing some background prior to getting into the agenda. Ms. Schmitt stated that the desired outcomes for the meeting include early input in the budget development process; an improved understanding of the County's debt capacity and affordability; review and discussion of the amendment year process schedule; consideration of the County's needs, opportunities and fiscal constraints -- along with ways they can move forward together to address the community's capital needs, while considering the operational needs in support of the growing community; and public/private partnerships (P3s), as well as the Public/Private Education and Infrastructure Act (PPEAs).

Ms. Lori Allshouse, Director, Office of Management and Budget, reviewed the agenda and said she would begin by sharing a video about partnerships and collaboration, as well as some observations and information about the current CIP shared by Mr. Bill Letteri, who will also lead the Boards in a conversation about capacity and affordability. She stated that they will briefly touch on the CIP development schedule, small group conversations identifying ways to collectively move forward to address the County-wide CIP needs, P3 and PPEA opportunities, and last, meeting wrap-up.

Agenda Item No. 3. Observations – Overview of CIP and Debt.

The Executive Summary forwarded to the Board states that during the FY 19 Budget development cycle, the Board of Supervisors held 7 CIP work sessions. Four of these work sessions were held between April and June, which was outside of the regular budget development calendar. To improve the timing of these discussions, the two Boards are coming together in the fall to review the FY 20 - FY 24 CIP development schedule, improve members' understanding of debt capacity and affordability, and discuss ways to work together in the future to address capital needs while being mindful of the operational needs of our growing community.

During the work session, the Board of Supervisors and School Board will: *Have the opportunity to have a discussion early in the budget development process; *Improve understanding of the County's debt capacity and affordability; *Review and discuss the FY 20 - FY 24 CIP amendment year process schedule; *Consider the County's needs, opportunities, and fiscal constraints and identify ways we could move forward together to address capital needs while also considering the operational needs associated with our growing community; and *Learn more about P3s and PPEAs, including what a PPEA is, what it authorizes, and what are the associated steps.

The Capital Improvement Plan serves as a planning and implementation tool for the acquisition, development, construction, maintenance and renovation of public facilities, infrastructure, and capital equipment for the next five-year period.

The Board and School Board utilize this work session to review the FY 20 - FY 24 amendment year process, learn more about the County's debt capacity and affordability challenges, discuss ways they can work together to address capital needs in the future and learn more about P3s and PPEAs.

Ms. Allshouse presented the video (Willow Tree's Factory Rebirth) on collaborations and partnerships (copy on file in Clerk's office).

Mr. Bill Letteri, Chief Financial Officer, addressed the Boards, stating that it is exciting to see County participation in the private sector and is a good preview of the partnership discussion. He stated that staff's intent is for this to be the Boards' work session, with staff comment limited, so they can spend time talking. Mr. Letteri said that he will provide a few introductory comments about the Capital Plan and the challenges the County faces moving forward, as well as their AAA rating and how they work the Plan.

He stated that as they work together to develop the Capital Plan, a key driver is revenues and projection of them over time -- as it drives the volume of work they can do and any changes. Mr. Letteri noted that the drivers are assumptions and over time can change, with revenues sometimes exceeding projections and enabling more projects to be done. He commented that the staff's revenue projections have been relatively accurate over time and the revenue team looking at trend and economic information has done a good job in informing the process.

Mr. Letteri stated that when they built this Plan over the next five years, they recognized that additional revenues beyond those from natural growth would be needed to support the volume of projects -- and the Board had provided direction that 4.2 cents additional on the tax rate, at a maximum, would be incorporated into the Plan. He said that regarding the allocation to the Capital Plan, the County has made a decision about the volume of overall revenues of how much to transfer into capital. He stated that historically that number has been around 9%, and that transfer is adjusted in future years by the amount of revenue growth achieved but is consistent each year. He said that this year, that amount by formula amounted to about $26 million -- used to pay both debt service and to support new projects.

Mr. Letteri noted that the volume or ratio of that $26 million goes to debt service could be considered high, with about $24 million going to existing outstanding debt and only a small amount supporting new projects and debt. He commented that they need to be mindful of this as they begin to urbanize and encounter more challenging needs for the capital program. He said that they have looked around the state to get comparisons from other localities and have found that localities such as Chesterfield, Henrico, and Loudoun generally transfer more to capital than Albemarle, with 12-13% transferred.

Mr. Letteri stated that part of the capital fund is very debt oriented, so the County's AAA rating make a huge difference. He said that every year, he has to go before the ratings agencies and talk about the County, and those agencies look at the capital program very carefully -- making sure the County Board is reliable and consistent in its funding and that funds are transferred sufficient to maintain current facilities and meet education and other community needs. He noted that the County has been very successful in that regard, but there are many projects not being funded at this point that are creating a significant challenge. He emphasized that it is important to maintain the AAA rating, because even a AA+ would drop the County to a borrowing level that would result in a one-half point interest increase -- equating to hundreds of thousands of dollars per year in additional interest expense.

Mr. Letteri stated that there is approximately $212 million in capital projects, allocated about 50% to Education, 40% to government projects, and 9% to debt service. He said that in the coming five years, they are contemplating borrowing another $143 million to support the program, while at the same time reducing that debt by paying it down by about $100 million. He then asked for comments from any Board members.

Mr. Alcaro asked how much additional borrowing would be available beyond the current cap if they went to a AA+ rating. Mr. Letteri responded that it would not increase capacity but would actually decrease it because the cost of debt service would increase, totaling an estimated hundreds of thousands dollars per year if 50 basis points were lost.

Mr. Koleszar asked if the additional 4.2 cents being allocated to capital would change the 9%. Mr. Letteri responded that the transfer to capital is based on an algorithm or standard formula used each year, and the 9% is both that transfer -- which is happening in just the first year -- and the 4.2-cent tax increase happening in later years. He noted that it would increase the 9% in that one particular year.

Mr. Koleszar said that while the County has transitioned into a more urban locality, some of the practices developed when it was rural are still in practice -- and they need to start thinking and planning like an urban County.

Ms. Palmer commented that it seems the County is both.

Mr. Randolph stated that Mr. Letteri and Ms. Allshouse have done an excellent job on June 6, 2018, with the mapping of outstanding debt as a percentage of assessed property and debt service as a percentage of revenues which would be posed by a $70-million referendum. He said he observed in June that at $70 million in borrowing, there were four occasions where the County's borrowing would exceed the AAA average -- and going above $70 million would increase the likelihood that the number would move from three to four times. Mr. Randolph commented that it would be helpful for staff to explain to the School Board the implications from the agencies lending the money. Mr. Letteri responded that he will get to that momentarily with a future slide that will illustrate his points.

Ms. McKeel stated that it will become obvious as they move along why the County is focusing on economic development and revenues, adding that they cannot continue to be a bedroom community and have the urbanization happening in the urban ring.

Ms. Acuff asked if Henrico and the counties mentioned that had up to 12% in capital are all AAA-rated localities. Mr. Letteri responded that they are all AAAs, and he confirmed that the range does exceed 9%.

Ms. Mallek commented that Loudoun is having the same struggles as Albemarle with its urban versus rural dilemma, adding that she is committed to a more cautious approach and not putting the County at risk of reaching a line -- and increasing the size of the pie is what her constituents has been arguing for. She recalled that in 2009, Board member, Ms. Sally Thomas, was arguing vociferously not to abandon the capital transfer custom in favor of funding operations, which had been consistent for 15 years or more, and it has taken a long time to recover the CIP.

Mr. Dill asked what projected revenues and needs are and how they track with projected population of the County. Mr. Letteri responded that he is not sure he can answer that specifically, but staff is projecting an increase of about 2-2.5% per year in revenues over the five-year period.

Ms. Mallek stated that former Board member, Mr. Dennis Rooker would always encourage them to look at the tax rates of larger counties, with Loudoun's being $1.05 per $100 of assessed value.

Ms. Palmer expressed concern about rising interest rates and the possibility of rising inflation, which will affect the CIP and borrowing. She said the population increase concerns her, with a growth pace of about 1,400-1,500 people every year -- and there have been predictions that increased storms and flooding on the East Coast means more people moving inland to communities like Albemarle. Ms. Palmer stated that she is not sure how they will make the challenge work if the schools grow at a faster rate than they are growing now.

Mr. Letteri commented that there is a lot of upward pressure on interest rates these days, and the federal reserve is contemplating another three rates hike in addition to the September 26 jump. He stated that staff factors in those increases to the best of their ability, but it is unpredictable as to where it would go.

Mr. Gallaway stated that there are several political realities to consider, as there is no will to put the AAA status at risk. He said that based on the way the voting went in the past budget cycle regarding capital funding, there is a political reality of the six votes. He stated that until the pie changes and grows in a way the distribution can help, the question is how to get creative within the two political realities. He stated that it is a matter of either changing the minds of those votes or figuring out how to get creative in leveraging assets to get further, which is where the P3s can be incorporated. This is similar to the bond referendum of a few years ago; it did not add money to the County's coffers, it was a different variation on a tool that was available and made sense. It is his hope that School Board members will join Board members in this collective brainstorm of how to accept the political reality by either making an effort to change votes or be more creative.

Mr. Paige said that he would like to know more about the effect of increased bond revenues on the AAA rating for the County and exactly at what point the rating would be changed based on the amount of the bond referendum. Mr. Letteri responded that he will share charts that talk about the various financial policies defined in the County that set the limits regarding how much debt service can be issued, which is a function of revenues, and a limitation on how much total debt they can have -- which is a function of the County's appraised value in the community, which is 2% in Albemarle's case. He stated that if they have $18 billion in assessed values, that would allow them to borrow as much as $360 million. Mr. Letteri said that he has a chart compiled by OMB that allows them to see those lines.

Mr. Oberg commented that he understands where Board members are coming from, with a solution being economic development, but he feels the way to achieve that is by attracting good job providers to the community. He said that if they talk to job providers that have come to this community, one of the key things they look for in quality of life for their employees is an academic system that is top rated. Mr. Oberg stated that when an organization like Willow Tree come to the community and grow here, they will not keep coming unless the schools remain top notch. He said that while he understands what Mr. Gallaway is saying regarding looking creatively and being innovative, but the School Board has been. Mr. Oberg emphasized that over the past two years, they changed the paradigm -- with a reconfiguration of the high schools in a way that will be better than a high school for less than one-half the cost of the originally estimated $100 million for a new high school. He stated that staff worked extremely hard and saved the County tens of millions of dollars, and if there were other things the School Board could do, they would.

Mr. Gallaway responded that his point is that they need to focus their energies onto the problem at hand, which is how to pay for the changes. He said that he understand the centers approach from both an educational and cost perspective, but the reality is how to make that happen within those boundaries -- and it is up to the Board of Supervisors to figure out how to budget all expenses, including schools. Mr. Gallaway emphasized that what he is asking for is additional input in that endeavor and how to pay for what they need to deliver quality education. He said that he is asking as one Supervisor for the School Board to help figure out and brainstorm how to pay for the educational needs. Mr. Gallaway stated that the school centers were uniquely aligned, and it is a unique opportunity in terms of P3s. **(Note**: Ms. Callsen arrived at 3:36 p.m.)

Ms. McKeel stated that having sat on the School Board, along with Mr. Gallaway, they are aware of how hard the school system, School Board, and administration work to make every penny count. She said there is not a more innovative school system around that work, and what she is suggesting is that the Boards need to look creatively at a different way of trying to come up with solutions. The Board would like for the School Board to help in that brainstorming in terms of how the school system and County government can come together and do things differently to accomplish goals.

Agenda Item No. 4. **Discussion:** County Debt Capacity and Affordability.

Mr. Letteri said that much of the conversation focuses on the issue of capacity and affordability, and there are many ways to address those things. He stated that he thought about it in the context of what they might be able to achieve in terms of volume of projects. Mr. Letteri pointed out that capacity is something that responds to a fixed set of circumstances -- either revenues, which are projected over time, establishing what they feel they have to work with; and policies, such as the level of debt and debt service that is acceptable. He stated that as they put all the parameters together, it defines what the capacity is in terms of the number of projects that can be done within those, given those assumptions. Mr. Letteri said that cities are limited in terms of how much in the way of general obligation bonds they can issue, and counties do not have that limitation -- part of the reason being that to issue a GO bond, a locality has to go to the public. He stated that the Board must make the decision as to how much the County can reasonably afford to support its capital program, and the other issue is the allocation between operations and capital, and if there are different ways to support operations that allows them to afford more toward capital, that becomes an issue. Mr. Letteri said that economic development will hopefully increase the opportunity to afford to do more.

Mr. Letteri shared a chart and schedule that staff put together that is instructive in terms of how they make decisions about capacity. He referenced debt service as a percent of revenues, and the County has a policy of 10% as the maximum. He noted what has been observed from other AAAs across the state. Mr. Letteri stated that the charts represent the $212 million adopted Capital Plan, and it is only as they get to FY22 that they approach or exceed the yellow line. He emphasized that he would not look at the chart and be alarmed by it, nor would he be concerned with talking to the rating agencies about it -- but the primary thing is trying to maintain a consistent performance level.

Mr. Letteri referenced a chart representing total outstanding debt, which is a function of the appraised value of real estate in the County, with 2% as a maximum for Albemarle and many AAA jurisdictions are in the 1.3% range. He said that this particular capital program puts the County slightly above that. He stated that Albemarle's AAA lines are different because they include total revenues for schools and local government, and some localities are only looking at local government fund balances. Mr. Letteri said that he could take the chart and put in hypotheticals that show an issuance of $24 million in additional debt that would require additional resources of $1.8 million in FY20, $1.8 million in FY21, etc., for a total of $7.4 million to support those capital projects over a five-year period.

Mr. Letteri stated that the Finance Department staff has put together a few scenarios, including one of $4.5 million over each of the five years for a total of $22 million in debt that would support an additional $24 million in projects. He said they also put together a scenario that said if they issued another $75 million over that period, both ratios are approaching the County's financial policy guidelines. He commented that this is a tool and he will use it with capital planning in the fall so they can see in real time how it might impact the County's AAA rating.

Ms. Palmer said that some of these AAA communities are just using general government. Mr. Letteri confirmed that this is the case, and some of them do not include the schools when looking at ratios of about 10%, in terms of how they are reporting. Ms. Palmer asked if it means general government and schools can be separated and more easily put money into schools. Mr. Letteri said he can follow-up on a response to that question. He said that he has heard repeatedly from the financial advisor that when compared to other localities, that is one of the issues often brought to his attention.

Ms. McKeel commented that the rating agencies take that into account. Mr. Letteri confirmed this.

Mr. Randolph stated that larger communities like Virginia Beach and Northern Virginia may have them separated to make it easier in terms of financing.

Mr. Koleszar pointed out that it does not make a difference in terms of percentage of revenues, because there is the additional revenue of the schools included also -- but he wonders if it might make a difference as a percentage of property, as AAA is 1.25% but most of those are probably more because they would have school debt on top.

Mr. Oberg asked what the delta is between the top and the bottom, with the average being 8% and Albemarle's slightly above 6%. Mr. Letteri responded that it would be about a 1-2% difference, but he does not know the average deviation around that standard. He stated that the County's capital and debt programs are only a part of what generates the AAA rating -- and it has a lot to do with the economics and stability of the community. He emphasized that this is not an exact science, but they have policies they try to adhere to and maintain in general. Mr. Letteri added that he will followup with information on how differences in the fund balance is being reported by other localities and how the ratios impact what rating agencies see.

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Agenda Item No. 5. Review FY 20 – FY 24 CIP Development Schedule.

Ms. Allshouse stated that the CIP is a five-year plan, and every other year the County does an amendment year, as in this year. She explained that all requests have already come into the OMB office from both schools and local government. There is a process that started in August and ended in April -- with crucial projects for core services and legal mandates considered in the amendment year. Ms.

Allshouse said that the Boards will next be together on November 5 to work on long-range planning, which in the past has been handled within operations, but they need to start thinking about the CIP as a five-year plan as well. She noted that there will be fewer meetings for groups like the CIP Oversight Committee, and part of what staff wants to discuss is ways to streamline the process for future years.

Recess. The Boards recessed at 3:57 p.m. and reconvened at 4:07 p.m.

Agenda Item No. 6. Identify Ways to Collectively Move Forward to Address County-wide CIP Needs.

Ms. Rosalyn Schmitt stated that the Boards wanted many opportunities for discussion and conversation, and the next 45 minutes will incorporate “World Café” protocol -- and Mr. John McQuilkin, Benefits Administrator, will facilitate this portion.

Mr. John McQuilkin explained that the schools used this protocol in its planning meetings over the summer, and he found it to be an effective approach for this type of exercise -- creating conversation around important questions. Mr. McQuilkin stated that the goals of the meeting was to consider the County’s needs, opportunities, and fiscal constraints; and identify ways they could move forward together to address the community’s capital needs while also considering operational needs in support of the growing community. He explained the World Café approach and setting and stated that there would be two members of each board at a table, with the groups rotating to discuss each question and sharing out at the end.

Note: At 4:11 p.m., the Board of Supervisors and School Board members proceeded through the exercise by breaking out into small work groups. At 4:48 p.m., the exercise concluded and the Boards reconvened at the dais.

Ms. McKeel stated that the last two groups she participated discussed that both Boards need to work on trust and working more closely together to have a clearer idea of what each other’s goals and visions are -- with communication, understanding and trust being critical. She said that the groups discussed how the lack of trust affects the work that they do.

Mr. Gallaway said the School Board’s job is to present the need, and it is the Board of Supervisors’ job to balance a budget -- and it is important for the Board not to be irritated by the ask, and the School Board not to be irritated by the give. He said that the irritation is what they sometimes see playing out in their advocacy roles, and they all need to be appreciative of that dynamic.

Ms. McKeel stated that the School Division presents a Board-to-Board report to the Board of Supervisors, and perhaps that should be a two-way discussion in which the Board also presents to the School Board.

Mr. Koleszar said that he expressed it as not knowing what the Board of Supervisors is doing, which he feels in part is his negligence for not seeking out that information -- but it would be nice to get regular updates on what the Board does with other areas, as it does impact the schools.

Ms. Palmer commented that it might be a longer report.

Ms. Mallek said she had suggested forwarding the Board actions and strategic plan to start, and the School Board could ask for more information on specific issues.

Mr. Gallaway stated that Mr. Randolph commented on the two Boards’ collective conversations about the CIP and the timing of when those conversations should happen.

Mr. Randolph said there is a collective of people in the CIP process that are there, and there needs to be an opportunity for an earlier dialogue between the two Boards because of the compelling nature of the high degree of CIP costs associated with the schools. He said that getting that early in the process is important so they are aware of what the School Division is going to be proposing, so they can begin as a Board to talk about that, rather than waiting until later on -- and that would facilitate trust building because then there would be communication on both sides, with everyone aware of what is coming down the pike. He said that part of the frustration in the spring was because of the fact that so many things developed at the end, and all of the sudden there was a feeling of the schools having needs that were not met -- but at the time the Board considered that, they were at the end of the overall budget process. He emphasized that having that discussion earlier on would mean a greater likelihood of building the trust they need between the two sides and having a conversation about the major projects in the County so they are all clear about what they will cost and whether they can be accomplished in that year or not.

Mr. Oberg stated that he found Mr. Randolph’s comments to be important, as he likened it to the feeling of Charlie Brown and the football being pulled away -- so it was a matter of earlier communication with reasonable expectations.

Mr. Gallaway said that the School Board's vote on the centers did not occur until December, so it did not decide how it wanted to proceed until then -- but the Board of Supervisors was already two months into its budget process.

Ms. Acuff stated that they had a $120 million placeholder in the CIP, but they came in a lot less than that, and they took to heart the needs of both the schools and local government in trying to keep the overall budget down -- so the schools clearly did not do a good job in communicating that to the Board or the community.

Ms. McKeel said that the Board felt they needed the information and the costs earlier, but the earlier they require it, the harder it is for the School Division to provide accurate information, so they sort of get into a situation in which the schools came in with different numbers.

Mr. Oberg commented that it is indicative of the fact that both bodies are in the mode of "catch up," and they should be planning 10 years out. He said that he would like to believe they will get past the emergency crisis mode to allow them to have true long-range planning.

Mr. McQuilkin stated that they will move onto the next section, which will involve public-private partnerships.

Ms. Acuff thanked the staff for setting this up, as she thinks it was a good exercise.

Mr. Gallaway asked if the summaries from the exercise would be sent out to the two Boards. Ms. McKeel commented that it would be good to have those shared.

Agenda Item No. 7. P3 – PPEA Opportunities.

Mr. Letteri stated that they are together on the notion of having challenges before them related to capacity, and perhaps some of the discussions about delivery systems and different models could help them address some of those challenges. He stated that Mr. Roger Johnson, Economic Development Director, will help lead a discussion of what P3s and PPEAs are. He said that as they contemplate the kinds of projects they want to be involved in, these alternative delivery methods or models will begin to offer some opportunities that are worthy of consideration. Mr. Letteri noted that governments throughout the state are utilizing these methods, and surveys done have indicated that at least 80 localities in the state have adopted ordinances that allow for use of these methods. He said that legislators have realized that these are needed for communities to move into a different realm, and these methods often offer innovative approaches to projects, with efficiencies that can often be gained.

Mr. Letteri stated that these methods also present a shift in how costs are allocated, as they could be distributed back to the locality or the partnership, depending on the particulars of the arrangement -- and control is often different in terms of procurement, design and building, as it is sometimes shifted to the partner. He noted that risks are also different, with the partners sometimes holding risks instead of just localities. Mr. Letteri said that he does not think these methods apply to all projects, and there are possibly candidates for projects that would best serve them, such as those with multiple owners or those with developers trying to bring them to the table. He mentioned that mixed-use projects are also candidates, as are projects that need to be expedited, which often shifts from a standard design to a design-build model.

Ms. McKeel stated that this was used with the Rio grade-separated intersection, and it worked beautifully.

Mr. Letteri mentioned that there are sometimes design-contractor teams around the country that bring innovative and unique design systems and programs that can be taken advantage of, and this would allow the County to take proposals and act on them.

Mr. Roger Johnson addressed the Boards and thanked Mr. Letteri for the introduction. Mr. Johnson explained that P3s are an agreement between a government agency and private sector company, often used to finance, build and operate public transportation, parks, convention centers, parking decks, and possibly schools. He said that a lot of people use P3s to allow a project to be completed sooner than otherwise could be accomplished, or sometimes allow them to be completed altogether.

Mr. Johnson stated that he worked for the City of Wilmington, N.C., and that City was facing a situation in which the parking structure in the middle of their downtown area was at the end of its useful life. He said that the City decided to solicit a public-private partner after having community input, and they wanted retail and community gathering space, as well as connecting some existing parks. Mr. Johnson stated that after having eight solicitations, the facility included 171 residential units and 32,000 square feet of retail space, a large parking deck, and community space. This is an example where a community took a problem and turned it into an asset.

Mr. Johnson provided another example from Richmond, which was struggling with parking in the downtown area and ended up using a building to help finance a parking deck -- with incremental property taxes used to help finance the deck. He said that Norfolk needed some community gathering space in its downtown area and used a building to increase property tax revenue and help offset the cost of meeting space. Mr. Johnson cited another example from Newport News of an apprentice school for shipbuilding, and they also used tax-incremental financing for this large P3 project. He mentioned that Roanoke used an existing parking structure and was able to build a hotel in the center of the city.

Mr. Johnson reported that a PPEA was enacted through special legislation in Virginia, and he provided an example from Wise County, which used a PPEA to build a school.

Mr. Letteri explained that in 2002, the state allowed for PPEAs to be available to localities, and they were principally used for educational facilities as a result of so many localities having problems with the design-build process. He stated that this allowed them to look at a delivery method that is more expedited and allows for that process to go forward. Mr. Letteri said that in a design-build scenario, the design construction team works together and produces a series of designs at a certain phase, which allows construction to proceed almost immediately -- or soon enough for them to continue with the design process and shorten the length of the project. He said this means they could get the facility done sooner and often save money.

Mr. Letteri stated that a PPEA could take other forms in which there is a design-build maintain or leaseback arrangement. In essence, this allows a different form of delivery system. He noted that in 2009, it was realized that the PPEA format could apply to other public buildings, such as public safety facilities, communications and utilities, recreational facilities, technology infrastructure, libraries, or anything serving a public purpose. Mr. Letteri said that by virtue of adopting an ordinance, it allows localities to receive both solicited and unsolicited proposals. He stated that the County could put out that they would like to build a specialty high school in a certain location or renovate a library and create some other things that might happen in a broad sense, then let proposals come in and evaluate them with a process through which the County selects the best proposer and go under contract.

Mr. Letteri emphasized that it is not applicable to all projects, and six or seven years ago, it was decided that there was not the size and nature of projects in the County to use this process, as they were complex arrangements that requires groundwork for the localities to be able to receive the proposals and show there is value in moving forward. He stated that it invites creativity and often saves time if there is an urgent project to get out, and shifts the risk back to the team. Mr. Letteri said that the proposals often involves a turnkey project so the private entities would take care of the management so local government personnel could do other work.

He noted that these are complex agreements, so they need to be big projects that bring synergies to what they are trying to do to make it work. He said there is often less control over specifics of a project, and the locality defines what the concept needs to be but would not get involved in each detail. Mr. Letteri stated that there is also less transparency, as the County would not always know what is being paid for, as they are not always made available. He said the County could demand for the information depending on how important it is, and this is not reasonable for smaller projects.

Mr. Randolph asked if localities have moved to any performance measures to offer some control. Mr. Letteri responded that they could do that; the guidelines require careful metrics about how to evaluate these projects and how the County can show definitively that they are of value to the organization -- as well as to help with the language and performance agreements.

Ms. Palmer asked if there has been a JLARC study of the PPEAs. Mr. Letteri responded that he is not aware of one.

Ms. Palmer explained that the state authorized PPTs for transportation in the 1990s, and about 10 years later they did a JLARC study that was very informative regarding pitfalls and situations that could occur. Mr. Letteri said there are reams of information about the success or failures of the various projects, which could be very informative for lessons learned. Ms. Palmer said if there is a JLARC study, the Boards should see it.

Mr. Letteri stated that if the Boards are interested in doing this, it would require formal adoption of an ordinance, and with that would come the need to establish all guidelines in terms of how they would receive and evaluate proposals. He said it is a fairly complex setup that would involve a good deal of staff time, and if they are inclined in this direction, he would recommend that staff come back to them with a very specific outline of what is required -- as well as some additional examples.

Ms. Acuff said that she would like to know how many of the 80 projects involved schools, and whether they are ever part of a mixed-use PPEA or P3, as many school projects locally are smaller additions that would likely not meet the size test unless it was part of a mixed use.

Mr. Letteri responded that staff could bring some of that information back to them.

Ms. Palmer said if there is not a lot of information about the schools, she would like to add to that any other PPEAs, and she wondered if there has been additional JLARC studies.

Mr. Randolph asked the School Board members if they would consider an opportunity whereby instead of committing to learning centers with associated operational and bussing costs, a PPEA scenario would consider a high school in a P3 location such as a Rio Road/Route 29 area that also included a local government commitment to a regional transportation partnership that operated as a center within that location -- which could cut down on bussing costs, as students could take public transportation. Ms. Acuff responded that the School Board would need more information but they would be committed to listening to all good ideas, adding that locating schools put pressure on feeder patterns and other factors.

She said that if they are part of the economic engine of the community, it would be worthwhile to look at how to maximize that.

Ms. McKeel said the question is really whether the School Board would be open to new ideas and approaches, because the Board does not want to spend a lot of work if it is something the schools does not want to consider. She reiterated that the Board is not asking for a commitment from the School Board.

Ms. Acuff stated that part of her frustration and possibly poor communication in the last round was that it seemed the Board of Supervisors' decision was based solely on capacity, even though the School Board expressed that there were other factors to address. She said that if they are talking about a P3 approach with mixed-use development to address capacity and transportation, that would not be the end of the schools' conceptual framework.

Mr. Koleszar said that part of the schools going to the center model was the intention of having students engaged more outside the classroom, such as a partnership with a biomedical company. He stated that the second question deals with transportation, and a partnership with a regional transit authority whereby the schools have a bus shop and the ability to maintain the busses, and if there are opportunities to save money and provide better services to County students, obviously they will be in support of that.

Ms. McKeel pointed out that the County has a regional transit partnership with the City and UVA, and Mr. Jim Foley of County transportation and the City's representatives are at the table.

Ms. Mallek stated that Mr. Foley indicated in a transit meeting that the schools are solely enabled to transport students from home to school, so to use public transit as the City does for school transportation, may require them going to Richmond and advocating for that.

Ms. McKeel noted that there is nothing preventing the School Division from using public transit for students who need to go to internships.

Mr. Oberg commented that he feels the schools would be open to looking at new ideas, and they have considered ways to incorporate businesses either on the campus with the center or affiliated with the builder.

Ms. McKeel stated that the School Division has always been forward looking and innovative.

Mr. Gallaway added that it is more than just being open to it -- as they have to understand it and learn it -- and it is not a silver bullet, but PPEAs and P3s have been used all over the state. He said that it is imperative that the Board understand the process, as it did with the bond referendums, including a cost-benefit analysis. He said that PPEAs was set up to basically do any venture provided it cut down on costs, time, operational efficiencies, etc.

Mr. Letteri said that cost is a maybe.

Ms. Mallek noted that it might add to the cost.

Mr. Gallaway stated that it could balance out by decreasing cost in other areas, and they need to be careful because they are still learning about the specifics. He pointed out that the large new high school in Virginia Beach was built through a PPEA, but a P3 is a different tool, and those differences need to be understood. Mr. Gallaway said that the Rio Road/Route 29 plan is speaking out to the development community and saying it is what the County wants to see. He emphasized that the high school center model is set up very well for a P3 and would be a very different cost-benefit analysis. Mr. Gallaway mentioned that with the Rio Road/Route 29 plan, they were asked if they were open to getting rezoning applications -- and until they publicly state that, it does not encourage the public to come forward. **(Note:** Mr. Buyaki arrived at 5:33 p.m.)

Mr. Oberg asked where that kind of information would be gathered to understand P3s. Mr. Letteri stated that staff's purpose today was to introduce the Boards to those concepts, and that would set them up to receive the proposals and evaluate whether to pursue them -- not saying now that they are deciding to do one. He said that it is really establishing a mechanism and authority to receive these types of proposals. Developers want to know that the County is ready to go. He stated that it does not apply just to education and it may be just a public facility, and not all of them would fit into this process.

Mr. Gallaway noted that it does not really matter how many other proposals like this have been done, because the complexity is in the contract itself for a specific project.

Mr. Oberg stated that he is willing to learn about it, but he does not know enough at this point to say they should move forward.

Mr. Gallaway said that he is asking the School Board to recognize there are more tools than they have been utilizing -- and he wants recognition from the Boards that they are willing to explore them.

Ms. Palmer said she is agreeable to learning more about the process. She stated that there is a lack of transparency with some of these projects, and she would want to know what performance measures could be implemented and how other communities have done it -- as they may have similar problems that are hard to overcome. She added that it could potentially be more complicated than an individual contract.

Mr. Dill said that he hears some interest in learning more, although only a handful of these have been done in the context of overall development. He stated that the County's Economic Development Department is small and very busy, with lots of building happening on Route 29 North, and it is important to consider the existing incubator companies at UVA and the private sector. He said that they should look for good opportunities, but there are lots of other things they could be doing that would help. They should not look at a P3 as it is a magic bullet for funding schools or an economic development program.

Mr. Paige stated that they should investigate it, as it would really help the school system.

Mr. Dill said a P3 offers an opportunity to think differently about how the Board might pull together the private sector and the County, and do something more creative. It is worthwhile to go through the next step and come back with additional details.

Agenda Item No. 8. Wrap Up.

Mr. Letteri said if they are talking about moving forward and doing projects such as school additions, fire stations, etc., he is not suggesting that they run out and use P3s -- but this offers an opportunity for them to look at a new approach, and without an ordinance they would never know if it is a good fit for a specific project. He emphasized that they can pick and choose, and they may be at a place as a community where these kinds of projects and opportunities are worth considering. Mr. Letteri noted that staff can come back with more details on that so they are better informed to make a decision about going to the next step.

Ms. McKeel commented that it is good for both Boards to hear the information at the same time, as it would help to avoid the disconnect with information. She added that she often learns from the School Board's questions.

Mr. Oberg stated that this seems to fit into the center model, but his fear is that they could be in a situation where it does not fit what they need but it is a way to get it funded -- and he wants to do the right thing, not the expedient thing. He added that these two Boards will not always be these two boards, so they need to be clear so as not to fence in future boards.

Mr. Gallaway said that the decision-making process will always come down to them and the votes they would take.

Ms. Mallek asked what the timeframe would be for the next steps. Mr. Letteri replied that he will get with Mr. Johnson and establish next steps and a timeframe, with a special work session for education and next steps for PPEAs.

Ms. Acuff commented that the School Board has some urgency in addressing high school needs, with 200 students behind Albemarle High School and additional land being scoped for trailers. She said that the most obvious project that could fit in this would be a high school center, but they are already way behind in finding that space -- so that would have to be factored into next steps.

Mr. Dill said that what they are doing at Seminole Square is a P3 already.

Ms. McKeel commented that the federal courthouse is a P3.

Agenda Item No. 9. Adjourn.

At 5:46 p.m., there being no further business, the Board of Supervisors adjourned its meeting and the School Board recessed its meeting

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Chairman

Approved by Board
Date 02/06/2019 Initials CKB