

**MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE COUNTY OF CAMPBELL, VIRGINIA**

January 22, 2007

The regular meeting of the Board of Directors of the Industrial Development Authority of Campbell County, Virginia, was held in the Community & Economic Development Conference Room, County Office Building, Rustburg, Virginia, on January 22, 2007.

The Directors present were:

George Rosser, Chairman
Vance Driskill
Robert Kennedy
Lewis Robertson

The Directors absent were:

Malcolm Morris
John Yates
Darryl Whitesell

Also Present:

J. Michael Davidson, Economic Development Director
Frank Wright, Jr., Overby, Hawkins, Selz & Wright
Rebecca Schwarz, Assistant Secretary-Treasurer

Mr. Rosser called the meeting to order at 7:55pm. Due to the lack of a quorum, it was decided that discussion would be held on the agenda items, though voting would be postponed until Mr. Driskill's arrival. The items could then be reviewed and voted on.

The November 27, 2006 and December 21, 2006 minutes were presented for review. Mr. Rosser asked if any members had questions or changes to the minutes. With no changes presented, Mr. Rosser turned discussions over to Mr. Davidson.

Matters from Economic Development Director

// Mr. Davidson discussed the list of Project Updates. He asked for any questions. With no questions from the IDA members, he began discussion of Airport East. He told the Authority that, as of today, all contracts were signed. Mr. Wright asked what these contracts were for. Mr. Davidson explained that they were contracts between Liberty University, Daly Seven, and Kay Hartless. Daly Seven is the hotel group that will build a hotel complex on this development. Ms. Hartless owns approximately 20 acres of property behind the Chevron station on U.S. 29 across from the airport. She will be using that land for future retail development. Liberty has plans to turn one million square feet of its property into retail space. Contracts were signed on the right of ways for the installation of the new road into these development areas.

The access road will begin at the airport stoplight on U.S. 29 where the Art Burnell vintage home slots used to be located. This property belongs to Daly Seven. The road will pass onto Hartless property, and a bridge will be built to cross the railroad tracks onto the Liberty property.

// Next, Mr. Rosser asked about the Seneca drainage pond. Mr. Davidson explained that the storm water retention pond continues to hold more water than it was designed for. We need to address this issue, but due to extremely wet weather, we have been waiting to do so. We have until September or October

before the E&S one-year warranty expires. The E&S bond will not be released until the pond problems are corrected. The issue may be that the pond was designed improperly, rather than constructed improperly. If the pond was designed improperly, the contractor has no responsibility to take care of the problem. If the pond was constructed improperly or outlet structures were put in the wrong places, then the contractor must fix it. Mr. Kennedy asked who designed the pond. Mr. Davidson said that Wiley & Wilson designed the pond. We do know that a stream that is fed by live springs went undetected during the design process, so evidently they did not perform a significant amount of on-site field investigation. A stream fed by live springs cannot run through a pond if the pond is expected to remain dry. This is the problem. Our E&S employee says that this water is supposed to be flowing downstream, to other people's property. Because the pond is not functioning properly, it is prohibiting proper water flow.

// Mr. Davidson then discussed the Financial Report and the IDA's various accounts. General discussion of the IDA's financial status followed.

The accumulation of IDA assets are in the checking accounts. There are two collateral accounts, one for Banker Steel and one for Sanfacon. We moved some funds from the Wachovia account into a CD in order to earn some interest. At the bottom of the page are listed the liabilities of the outstanding balances on the Sanfacon and Banker Steel buildings. The IDA net worth as of January 22, 2007 is \$1,917,685.00. Mr. Davidson did note that he believes this worth will be difficult to realize, significantly because we have a lease purchase agreement with Sanfacon for \$800,000, and a total \$1.1 million in fixed asset value on the property. However, we made a profit on the property when we sold it. We also generate a monthly revenue stream with the lease payment. It is most likely that we will never be able to get the full value of the Banker Steel building according to its listing. After the sale of both properties, we may end up with \$300,000-\$400,000 in revenue.

// Mr. Davidson then began discussion of the IDA financial accounting proposal. Mr. Davidson pointed out that Mr. Driskill has been involved in more conversations than the rest of the committee. Therefore, he is probably more aware of the situation due to the fact that the process began when he was still the chair.

At the December 21st meeting Mr. Davidson made committee members aware of auditor concerns with the IDA's accounting system. Since that meeting, Mr. Davidson researched what other IDA's within the region do to manage their finances. The City of Lynchburg pays a professional accounting firm \$2,000 a month to manage all their financial reporting and accounting. It has been three years since Lynchburg bid-out this service, and there is the potential that it could find a better rate. Its IDA meets at least monthly and sometimes bi-monthly. It has a lot more revenue streams and properties under lease or lease purchase agreements than Campbell County. If Campbell County IDA hired a professional service to do all of its accounting, the cost would likely be in the range of \$1,000 a month. However, Mr. Davidson pointed out that we are not generating a \$12,000 a year revenue stream to cover that kind of cost, as well as the additional fees that would come along with this process. The Bedford and Amherst County IDA finances are both part of their counties' accounting systems. Bedford County's IDA just processes and sends information to its accounting department regarding payments, and the County Administrator signs the IDA checks.

There was not enough time prior to this meeting to research how the counties within the region fund the individual IDA's or what revenue streams the IDA's have coming in. Mr. Davidson did review what information we do have regarding the IDA budgets of the towns of Altavista and Amherst, Amherst, Bedford, and Appomattox Counties, and the City of Lynchburg.

Mr. Davidson said that the proposal before the IDA is to establish financial record-keeping with Campbell County. The checking accounts would remain in the name of the IDA, and the checkbooks would remain

in the possession of the Authority. However, a line item budget would be set up with Campbell County's Management Services. General discussion followed regarding the particulars of creating this budget.

By doing so, the County would assume all the monthly reporting and accounting duties for the IDA. It would be responsible for balance sheets, monthly reconciliations, and any other type of financial reporting necessary. All IDA monies would remain in our First National Bank of Altavista and Wachovia accounts. The Economic Development Department would continue to receive the checking statements and would send them to Management Services for review and reconciliation. Mr. Davidson said that we expect to maintain the signing authority for all checks processed, as well as the process of placing our funds in the proper depositories. Management Services will record check payments as cash transaction in order to make things work within their accounting systems. Mr. Davidson stated that once Mr. Driskill arrives, we are recommending that, pending satisfactory explanation and answering of any questions, the IDA approve moving the IDA accounting procedure to the County as outlined.

Mr. Davidson also noted that we are recommending that if there is minor paperwork involved, we authorize the switch to an automatic draft withdrawal for the Sanfacon lease payment. He also said that we will request the bank adopt a policy that two signatures be required for any IDA check processed. This is already the internal policy of the IDA for any checks over \$100. He did note that even if First National Bank of Altavista did adopt this policy, it will not guarantee one hundred percent compliance or policing of the policy. If one of the people that processes the checks somehow misses only one signature on a check, the bank will not go back and stop payment on that check. The check would still go through. The bank will, however, adopt a policy requiring two signatures, and this will please the auditors. The Authority held general discussion on the particulars of these proposed changes to procedure.

Mr. Davidson asked for any questions. Mr. Kennedy asked if the only downside to the proposal that First National Bank adopt a policy of requiring two signatures is that the bank would not stop payment if a check was processed without two signatures. Mr. Davidson said that is correct. Mr. Robertson said that it sounds like we need to do something with our accounting system, and this is probably the best way to do so. Mr. Davidson said that the only other alternative out there is that we buy a separate financial accounting software package and laptop. He explained to the committee the various steps and requirements that would be entailed in this. General discussion followed. The committee agreed that to do so does not seem a very beneficial change. Mr. Robertson reiterated that moving the accounting responsibility to Management Services sounds like the best way to proceed.

Mr. Davidson next explained that the only downside to such a transition is that there will be a lot of staff time required from Ms. Schwarz, Management Services, and himself. It will likely take 3 to 4 months to make the transition and develop new procedures. However, once the system is set up, it ought to be extremely efficient. He noted that he believes Management Services would much prefer to be the check writing agent for the IDA, but the problem is that if that occurred, checks would be made payable to the Treasurer of Campbell County. This would technically give the Treasurer the authority to delegate IDA funds. That could prove to be a problem, given our commitments to First National Bank of Altavista. General discussion followed.

// Next on the agenda was listed a review of the Board Retreat. Mr. Davidson clarified that this was a typographical error on the agenda, and this topic was already covered at the previous meeting.

// Mr. Davidson next covered the last item on the agenda, the IDA Annual Report 2006. According to the Authority's preference, Mr. Davidson reviewed for the IDA each page and its contents. He discussed the 2006 meeting schedule and said that the meeting dates can easily be changed. He requested that the Authority proofread for accuracy Page 3, which lists the updated Board of Directors. He explained that from the report we have removed some of the information from 2005. Page 4, the

Chairman's statement, he distributed for review by the Authority. We left the IDA history on Page 5 in the report because he believed it to still be pertinent. We did update the chair history to be representative of 2007. Mr. Davidson said that the IDA needs to decide what timeline to cover on Page 6, which shows recent IDA accomplishments. The Authority agreed that a calendar year timeline is better than a fiscal year timeline. He asked the members if they had any other accomplishments to add. With none suggested, Mr. Davidson made the point that while there are only 3 bullet points under the accomplishments section, those three points are extremely large, time-consuming accomplishments.

Mr. Robertson noted that the last two sentences of the first paragraph on Page 7 need to be edited, as they are written from a 2005 perspective rather than a 2006 perspective. Mr. Davidson discussed the information that will replace this sentence. Edits will be reflected in the next draft of the report.

Mr. Davidson next discussed suggestions for a 2006 work plan. While discussing managing IDA properties, he brought the Authority current on the erosion problem at the Banker Steel property. He told the members that there is more significant erosion than we thought happened in November. He explained the particulars of the erosion and also noted that the Lynchburg Airport constructed a road and installed culvert pipe under the road, which has affected the erosion problem. There are some big problems there, and we have to take care of them. General discussion of this property followed.

Mr. Davidson discussed the other recommended goals and objectives on the 2007 work plan. He told the Authority that it can add to the work plan anything it believes to be important. He did say that sometimes it is good to slow down for a period of time following big projects, in order to prepare for new ones. Mr. Kennedy agreed that this is a good idea. Mr. Robertson said he believes the suggested work plan looks good.

Next the IDA members reviewed Mr. Rosser's Chairman Statement. No suggestions for changes were made. Mr. Davidson said that the picture on the report cover will be changed. The Authority members agreed that Banker Steel should be on the cover, and next year Seneca Commerce Park. It was also discussed that the IDA meeting dates should be changes to a Thursday.

// Mr. Driskill arrived at 9:08pm. Mr. Davidson recommended that the IDA go back and vote on the approval of the minutes from November 27, 2006 and December 21, 2006. Upon a motion by Mr. Robertson, seconded by Mr. Kennedy, and duly adopted by unanimous vote, the Campbell County Industrial Development Authority approved the minutes as read.

// Mr. Davidson next reviewed the information discussed by the Authority members on the Financial Report and new financial accounting proposal for the IDA. Mr. Davidson answered and clarified Mr. Driskill's questions on the new procedures that will result from the staff recommended transition in accounting policies and procedures to Campbell County's Management Services. By motion of Mr. Driskill, seconded by Mr. Robertson, and duly adopted by unanimous vote, the Campbell County Industrial Development Authority elected to adopt the new financial accounting proposal for the IDA.

// Mr. Davidson said that the only other thing that needs IDA action is on the Annual Report 2006. Mr. Driskill was given a copy of Mr. Rosser's letter for review. Mr. Driskill commented that he likes that Mr. Rosser's letter is very forward thinking. Mr. Davidson then told Mr. Driskill that the consensus of the other members was to continue to do the report on a calendar year versus a fiscal year basis. Mr. Driskill discussed that the appointment dates of members, which was in the original report, is something he feels would be good to include. The IDA has members like Mr. Yates, who have an extremely long record with the IDA, and showing that we have members with this length of IDA history is a good thing.

Upon review of the 2007 Goals and Objectives, Mr. Driskill commented that the phrasing of the third bullet point causes him concern. The point reads: "Work with Campbell County to develop a financial accounting system for the IDA that meets the needs of both organizations and auditor requirements." He said that this might suggest that we do not currently have a good accounting procedure. General discussion followed. Mr. Robertson suggested that the point be re-phrased to say that our goal is to transition to the county's accounting system. The IDA members agreed this to be the best solution. Changes will be reflected in the next draft of the Annual Report.

Mr. Davidson asked the IDA members whether they preferred to present the Annual Report at a day or night meeting of the Board of Supervisors. No preference was expressed. Mr. Driskill commented that last year the Board of Supervisors took the time to say how much it appreciates the IDA's work. The IDA has done a great deal to build trust back from the Board of Supervisors and inform the members on what we are doing. He said that he thought if all or as many members as possible could attend the Board of Supervisors meeting, it would really help the IDA do its job. General discussion followed. The Authority members agreed that it would try to be ready for the March 5th meeting. If the report is not ready by that date, then March 19th will be the date the IDA presents to the Board.

// Mr. Rosser asked if there were any other matters for discussion. Mr. Davidson said that before adjourning he wanted to make sure everybody agrees with the contents of the annual report. Mr. Kennedy said that aside from changing the third bullet point under the Goals and Objectives, he believes everything to be fine as is. Mr. Davidson said that Ms. Schwarz would canvas the other IDA members on whether or not the last Thursday of odd numbered months was an acceptable new meeting time.

With no other business presented for consideration, upon a motion by Mr. Kennedy, seconded by Mr. Robertson, and duly adopted by unanimous vote, the Campbell County Industrial Development Authority adjourned at 9:28 pm. Pending an affirmative response from other Authority members on the new meeting date, the next meeting will be held on Thursday, March 22, 2007.

George Rosser, Chairman

Vance Driskill, Secretary-Treasurer