



Legislation Details (With Text)

File #: 23-0017 **Version:** 1 **Name:** Literary Loan Application (Schools)
Type: Resolution **Status:** Passed
File created: 1/12/2023 **In control:** City Council Legislative Session
On agenda: 1/25/2023 **Final action:** 1/25/2023
Title: Resolution Authorizing the School Board of the Hampton City Schools to Apply to the Virginia Board of Education for Ten Loans from the Literary Fund

Sponsors:

Indexes: , , DO NOT USE - 21 - Educated and Engaged Citizenry, DO NOT USE - 21 - Good Government, Education

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
1/25/2023	1	City Council Legislative Session	approved	Pass

Resolution Authorizing the School Board of the Hampton City Schools to Apply to the Virginia Board of Education for Ten Loans from the Literary Fund

PURPOSE/BACKGROUND:

The purpose of this resolution is to authorize the City's School Board to submit applications for a low-interest construction and renovation loans to Virginia's Board of Education.

Discussion:

The Literary Fund is authorized under Article VIII, Section 8 of the Constitution of Virginia as permanent and perpetual school fund to be used for public school purposes. The Code of Virginia and the Virginia Administrative Code establish public school construction and renovation through revolving loan funds as a primary purpose of the Literary Fund. The state appropriation act further authorizes the Board of Education to issue loans from the Literary Fund to local school boards that apply for loans, authorized by the locality and school board, for the purposes of a) erecting, altering, or enlarging school buildings; or b) refinancing prior indebtedness or obligations incurred by a locality on behalf of a school division which has an application for a Literary Fund loan for an approved project pending before the Board of Education.

The application was modified by several new budget language provisions, including authorization for the Board of Education to offer up to \$200,000,000 in each of fiscal years 2023 and 2024, establishment of an annual open enrollment process with awards prioritized based on the local composite index of ability-to-pay, and establishment of a \$25,000,000 maximum award per project (with a possible \$5,000,000 add-on award for projects that will result in school consolidation and net reduction of at least one existing school). And, importantly, in today's environment of rising interest rates, the new budget language also provides that the Board of Education in consultation with the Department of Treasury, to establish annual loan rates, benchmarked to a market index interest rate, for as low as 2%.

The School Board has identified ten (10) renovation projects, each to include the replacement of all exterior door frames, doors, windows, parking lot, curbs, sidewalks, interior doors, school furniture; renovation of all restrooms, kitchens and associated equipment, corridors, school entry (improve security), offices, clinics, classrooms, and common areas; and replacement/upgrade of all electrical service. Those renovations will be done at Smith Elementary (built 1967), Phillips Elementary (built 1962), Mary Peake Elementary (built 1966), Asbury Elementary (built 1954), Forrest Elementary (built 1962), Langley Elementary (built 1943), Patrick Elementary (built 1968), Barron Elementary (built 1961), Kraft Elementary (built 1967), and Aberdeen Elementary (built 1972). The cost per school is estimated to be \$2,000,000.00. Those renovations are expected to revitalize each of those schools, and extend the serviceability of each by 25 years.

The renovations are part of the projects identified in the current Capital Improvement Plan ("CIP"). This opportunity will allow those projects to be completed with lower loan costs. Further, while this will also allow some projects to be done sooner than planned, it will not increase the funding planned in the 5-year CIP for school projects.

A separate application must be filed for each school. The School Board is expected to pass a similar resolution on February 1, 2023. The deadline to apply is February 10, 2023.

Impact:

See Purpose/Background/Discussion above.

Recommendation:

Approve the Resolution.

WHEREAS, the School Board of Hampton City Schools (the "School Board") has partnered with the City Council of the City of Hampton Virginia (the "Council") to submit ten (10) applications addressed to the Virginia Board of Education (the "Board of Education") prior to February 10, 2023 (the "Loan Applications") to borrow up to \$2,000,000.00 per application for a total of up to \$20,000,000.00 from the Literary Fund for school renovation purposes at each of the following ten (10) elementary schools, Smith, Phillips, Mary Peake, Asbury, Forrest, Langley, Patrick, Barron, Kraft, and Aberdeen, with each school project to include the replacement of all exterior door frames, doors, windows, parking lot, curbs, sidewalks, interior doors, school furniture; renovation of all restrooms, kitchens and associated equipment, corridors, school entry (improve security), offices, clinics, classrooms, and common areas; and replacement/upgrade all electrical service as set forth in each of the Loan Applications;

WHEREAS, the School Board is expected to act on February 1, 2023 to formally request that the Council authorize submission of the Loan Applications and agree to pay the principal of and interest on any approved and accepted Literary Loans in accordance with the requirements of the Literary Fund program;

WHEREAS, each of the schools to be renovated is at least 50 years old and the renovations are expected to revitalize each of those schools and extend the serviceability of each school by 25 years; and

WHEREAS, the Council has determined that borrowing through the Literary Fund provides a

cost-effective and financially advantageous means of providing funding for planned public school renovations consistent with the goals and objectives of the Council and the School Board and desires to authorize the School Board to submit the Loan Applications.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF HAMPTON, VIRGINIA AS FOLLOWS:

1. **Approval of Applications.** The Loan Applications of the School Board to the Board of Education for the 10 elementary schools referenced above for 10 loans of up to \$2,000,000.00 each from the Literary Fund (the "Literary Loans") is hereby approved, and authority is hereby granted to the School Board to borrow up to \$2,000,000.00 per Loan Application for a combined total of up to \$20,000,000.00 for school renovation purposes as set forth in such Loan Applications, subject to final borrowing authorization by Council as set forth in paragraph 3 hereof.

2. **Loan Payments.** Upon approval of the Literary Loans by the Board of Education and acceptance of the terms thereof by or on behalf of the School Board and the Council, the Council shall each year during the life of the Literary Loans, at the time it fixes the regular property tax levies, fix a rate of levy for Hampton City Schools or make an appropriation sufficient for operation expenses and to pay the Literary Loans in annual installments and the interest thereon, as required by Sections 22.1-151 and 22.1-152 of the Code of Virginia of 1950, as amended and rules and regulations of the Literary Fund program.

3. **General Authorization; Subsequent Approval.** The City Manager, Director of Finance and other officers of the City are authorized to take such actions as may be necessary or appropriate in conformity with the purposes and intent of this Resolution and in furtherance of the Loan Applications, including acceptance of any Literary Loans approved by the Board of Education, and any and all such actions previously taken are ratified and confirmed; provided however, such officers shall not enter into any documents or agreements or issue any obligations evidencing any Literary Loans until the Council has authorized the incurrence of such indebtedness by subsequent resolution.

4. **Effective Date.** This Resolution shall be in force and effect upon adoption.