



## Legislation Text

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**File #:** 24-0243, **Version:** 1

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Resolution Authorizing the School Board of Hampton City Schools to Apply to the Virginia Board of Education for a Loan from the Literary Fund for Bethel High School Science Wing Expansion

**PURPOSE/BACKGROUND:**

The purpose of this resolution is to authorize the City's School Board to submit an application for a low-interest construction loan to Virginia's Board of Education.

**Discussion:**

The Literary Fund is authorized under Article VIII, Section 8 of the Constitution of Virginia as a 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, establish annual loan rates, benchmarked to a market index interest rate, for as low as 2%.

The School Board has opted to apply to borrow up to \$20,000,000 from the Literary Fund to build an approximately 38,000 square foot science wing addition to Bethel High School. Council approved a similar resolution last year for renovations to several schools that was not approved by the State. The \$20,000,000 in funding for the previous application was included in the City's Fiscal Year 2024 Capital Budget. These funds will be reprogrammed from the original slate of renovation projects to the Bethel High School Expansion project and the original slate of renovation projects will be reprogrammed to Fiscal Year 2028. Since the State program is more geared towards school construction and expansion, it was determined that Hampton City Schools would swap the planned expansion of Bethel High School (previously planned for Fiscal Year 2028) with the slate of renovation projects included in the Fiscal Year 2024 Capital Budget to take advantage of the low cost funds offered through the State Literary Loan Program.

The School Board is expected to have passed a similar resolution on May 1, 2024.

**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 an application addressed to the Virginia Board of Education (the "Board of Education") prior to May 23, 2024 (the "Loan Application") to borrow up to \$20,000,000 from the Literary Loan Fund to build an approximately 38,000 square foot science wing addition to Bethel High School (the "Bethel High School Project");

**WHEREAS**, the School Board is expected to act on May 1, 2024 to formally request that the Council authorize submission of the Loan Application and agree to pay the principal of and interest on the Literary Loan, if approved, in accordance with the requirements of the Literary Fund program; and

**WHEREAS**, the Council has determined that borrowing through the Literary Fund provides a cost-effective and financially advantageous means of providing funding for the Bethel High School Project consistent with the goals and objectives of the Council and the School Board, and desires to authorize the School Board to submit the Loan Application.

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

1. **Approval of Applications.** The Loan Application of the School Board to the Board of Education for a loan of up to \$20,000,000 from the Literary Fund (the "Literary Loan") is hereby approved for the Bethel High School Project, and authority is hereby granted to the School Board to borrow up to \$20,000,000 for such project as set forth in the Loan Application, subject to final borrowing authorization by Council as set forth in paragraph 3 hereof.

2. **Loan Payments.** Upon approval of the Literary Loan 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 Loan, 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 Loan 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 Application, including acceptance of the Literary Loan 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 Loan 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.