
Comprehensive Financial Review



Shenandoah County, Virginia

February 14, 2012

Prepared by:

DAVENPORT & COMPANY

SINCE 1863

as Financial Advisor



Goals and Objectives

1. Review progress since the February 8, 2011 annual Comprehensive Financial Review (“CFR”);
2. Review the key characteristics that constitute a highly regarded, credit worthy locality;
3. Identify goals for Fiscal Year 2013; and,
4. Update the status of the financing strategy for the Edinburg School Renovation Project.



Key Assumptions/Observations from the 2011 CFR

Shenandoah County, Virginia

1. Increasing the tax rate (i.e. tax burden) on the citizens at that time was not a preferred option.
2. There has been significant reliance on one time revenue sources from un-appropriated funds (i.e. Undesignated Fund Balance or other Cash Reserves) since Fiscal Year 2008. The goal moving forward was to solve the structural imbalance in the budget.
3. Interest rates were at (and continue to be) near 40 year historic lows providing continued opportunities to finance at attractive rates.
4. Implement and maintain all “Best Practices” as it relates to debt management and fund balance targets. Over the course of the next few months, Davenport and County Staff will prepare a series of Financial Policy Guidelines related to debt management and Fund Balance targets.



Key Results/Actions Following the 2011 CFR

Davenport proposed a Multi-Tiered Plan to address the challenge of balancing the FY 2012 and FY 2013 Budgets:

1. Strategically targeting a pay-down of selected capital leases using approximately \$400,000 of undesignated fund balance in FY 2011.

✓ Eliminated nearly \$50,000 in interest cost.

2. Continued implementation of austerity measures to reduce annual operating expenditures.

✓ \$245,560 was saved in the FY 2012 General Fund Budget (excluding schools, debt service, tax relief, and CSA).

3. As needed, use a *limited* amount of un-appropriated funds while still meeting/exceeding the County's "Best Practices" for Undesignated Fund Balance.

✓ In FY11 the County budgeted approximately \$2 million in Undesignated Fund Balance that was ultimately not needed. The County budgeted approximately \$1.2 million in Undesignated Fund Balance in FY12 for operations. At this time it is uncertain whether these funds will be needed.

4. Structure needed long-term financed Capital Improvement Projects so as to minimally impact the FY 2012 or FY 2013 budgets.

✓ Refunding of Rural Development loans saved over \$370,000 over 17 years. To date, no new debt has been issued; however, this approach will be carried forward through the Fiscal Year 2013 budget for the Edinburg School project as necessary.



Key Characteristics of a Highly Regarded, Credit Worthy Locality

Shenandoah County, Virginia

- 1st** Conservative Budgeting while keeping a competitive tax rate relative to neighbors;
- 2nd** Maintaining Strong Reserves (i.e. no cash flow borrowing);
- 3rd** Having Prudent Debt Levels and Proactive Debt Management;
- 4th** Utilizes Multi-Year Capital Planning; and,
- 5th** Formalization of Financial Policy Guidelines involving Debt, Reserves, and other Miscellaneous Areas.



1st Characteristic – Conservative Budgeting

Shenandoah County, Virginia

	Actual <u>2006</u>	Actual <u>2007</u>	Actual <u>2008</u>	Actual <u>2009</u>	Actual <u>2010</u>	Actual <u>2011</u>
<u>Revenues</u>						
Total Revenues	\$50,143,096	\$53,853,357	\$53,424,382	\$52,965,706	\$52,148,311	\$58,304,775
<u>Expenditures</u>						
General County	(\$23,278,070)	(\$26,545,058)	(\$28,609,470)	(\$28,902,880)	(\$27,971,569)	(\$26,621,139)
County Transfer to Education	(17,486,742)	(17,099,214)	(18,967,693)	(21,234,948)	(20,138,877)	(20,710,200)
Existing Debt Service	<u>(6,131,660)</u>	<u>(6,031,986)</u>	<u>(6,063,680)</u>	<u>(6,117,389)</u>	<u>(6,306,145)</u>	<u>(7,221,929)</u>
Total Operating Expenditures + DS	(\$46,896,472)	(\$49,676,258)	(\$53,640,843)	(\$56,255,217)	(\$54,416,591)	(\$54,553,268)
Total Recurring Surplus/(Deficit)	\$3,246,624	\$4,177,099	(\$216,461)	(\$3,289,510)	(\$2,268,280)	\$3,751,507
Capital Outlay & Other Transfers	(682,213)	(1,765,450)	(4,575,350)	(3,635,344)	(772,599)	(788,803)
Use of Bond/Lease Proceeds	578,799	1,032,487	3,972,443	1,708,921	1,114,950	643,867
Reimbursement of Prior Year Capital Exp	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,046,622</u>	<u>0</u>
Total Non-Operating Revenues/(Expenditures)	(\$103,414)	(\$732,963)	(\$602,907)	(\$1,926,423)	\$1,388,973	(\$144,936)
Revenues Over/(Under) Expenditures	\$3,143,210	\$3,444,136	(\$819,368)	(\$5,215,933)	(\$879,307)	\$3,606,571
Original Budgeted Use of Fund Balance	\$2,892,746	\$2,574,321	\$2,599,697	\$4,406,305	\$2,812,356	\$2,022,505
General County Year over year variance	(\$943,181)	(\$3,266,988)	(\$2,064,412)	(\$293,410)	\$931,311	\$1,350,430
County Transfer to Education Year over year variance	\$116,024	\$387,528	(\$1,868,479)	(\$2,267,255)	\$1,096,071	(\$571,323)

Conservative budgeting that matches on-going revenues with on-going expenditures and one-time revenues with one-time expenditures is key to highly regarded localities.

Overly aggressive revenue budgeting and using one-time monies to cover on-going expenditures are viewed negatively.



1st Characteristic – Conservative Budgeting (con't)

Shenandoah County, Virginia

	Original FY11		
	Budget	Actual FY 11	Difference
General Fund Revenues			
General property taxes	\$ 30,802,000	\$ 31,744,361	\$ 942,361
Other local taxes	5,454,500	6,346,986	892,486
Permits, privilege fees, and regulatory licenses	352,000	330,143	(21,857)
Fines and forfeitures	120,000	107,215	(12,785)
Revenue from the use of money and property	325,000	96,987	(228,013)
Charges for services	2,066,937	2,206,347	139,410
Miscellaneous	885,000	721,509	(163,491)
Recovered costs	250,000	482,269	232,269
Intergovernmental revenues			
Commonwealth	10,061,681	10,368,397	306,716
Federal	1,361,790	5,900,561	4,538,771
Total Revenues	\$ 51,678,908	\$ 58,304,775	\$ 6,625,867
General Fund Expenditures			
Current			
General government administration	\$ 2,416,357	\$ 2,228,906	\$ (187,451)
Judicial administration	1,573,520	1,579,642	6,122
Public safety	10,694,416	10,781,294	86,878
Public works	3,442,068	2,979,693	(462,375)
Health and welfare	6,402,747	6,707,951	305,204
Education	21,468,661	21,197,950	(270,711)
Parks, recreation and cultural	1,432,149	1,360,174	(71,975)
Community development	765,346	930,856	165,510
Nondepartmental	316,650	15,159	(301,491)
Capital projects	605,086	788,803	183,717
Debt service			
Principal retirement	-	1,561,739	1,561,739
Interest and other fiscal charges	-	189,383	189,383
Total Expenditures	\$ 49,117,000	\$ 50,321,550	\$ 1,204,550
Excess (deficiency) of revenues over (under) expenditures	\$ 2,561,908	\$ 7,983,225	\$ 5,421,317
Other Financing Sources (Uses)			
Transfers out	\$ (4,584,463)	\$ (3,874,348)	\$ 710,115
Capital leases	-	377,850	377,850
Total other financing sources (uses)	\$ (4,584,463)	\$ (3,496,498)	\$ 1,087,965
Net change in fund balances	\$ (2,022,555)	\$ 4,486,727	\$ 6,509,282
Less Federal Government Funds		(3,570,365)	(3,570,365)
	\$ (2,022,555)	\$ 916,362	\$ 2,938,917

Fiscal Year 2011 ended positively and the County did not need to use any one time revenues (i.e. fund balance).

This includes a \$3.57 million lump sum from the Federal Government.

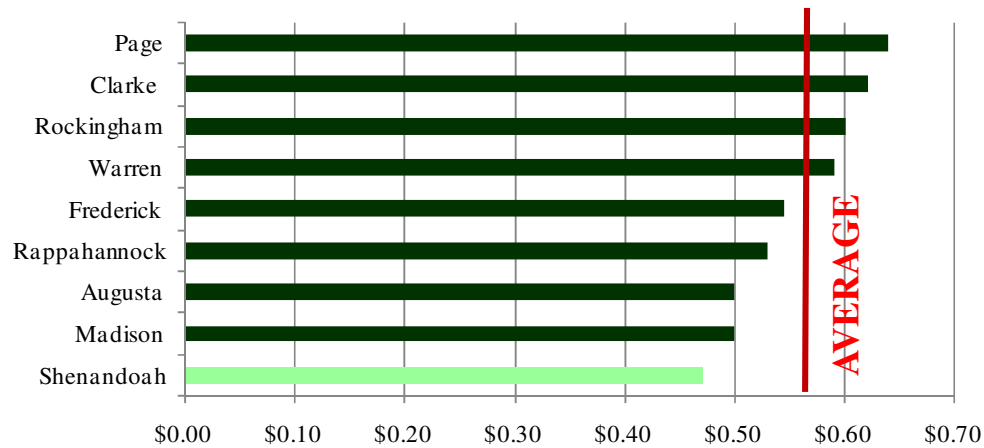


1st Characteristic – Competitive Tax Rate

Shenandoah County, Virginia

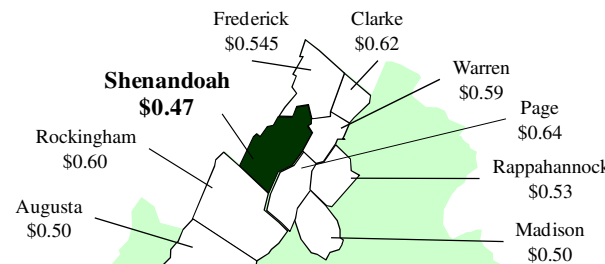
- The County’s current real estate tax rate is the lowest in the region.

Area Real Estate Tax Rates



**Shenandoah County
Historical Real Estate Tax**

Fiscal Year	Tax Rate*
2001	\$0.64
2002	\$0.64
2003	\$0.68
2004	\$0.68
2005	\$0.68
2006	\$0.51
2007	\$0.51
2008	\$0.51
2009	\$0.51
2010	\$0.47
2011	\$0.47
2012	\$0.47



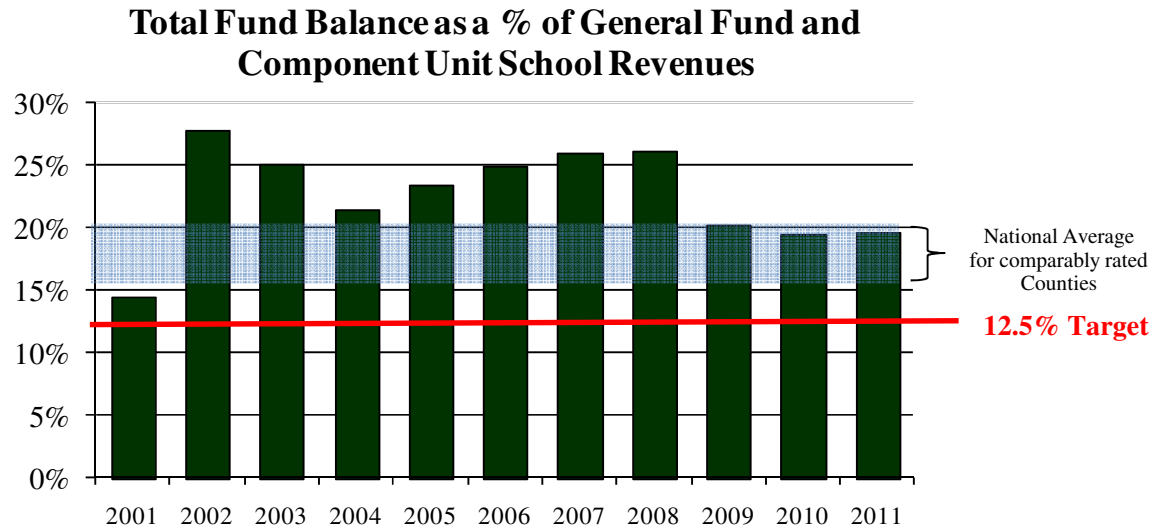
*Per \$100 of assessed value.

Revaluation years are highlighted.



2nd Characteristic – Maintaining Strong Reserves

Shenandoah County, Virginia



**Undesignated Fund Balance plus Fund Balance Assigned to Capital Projects.*

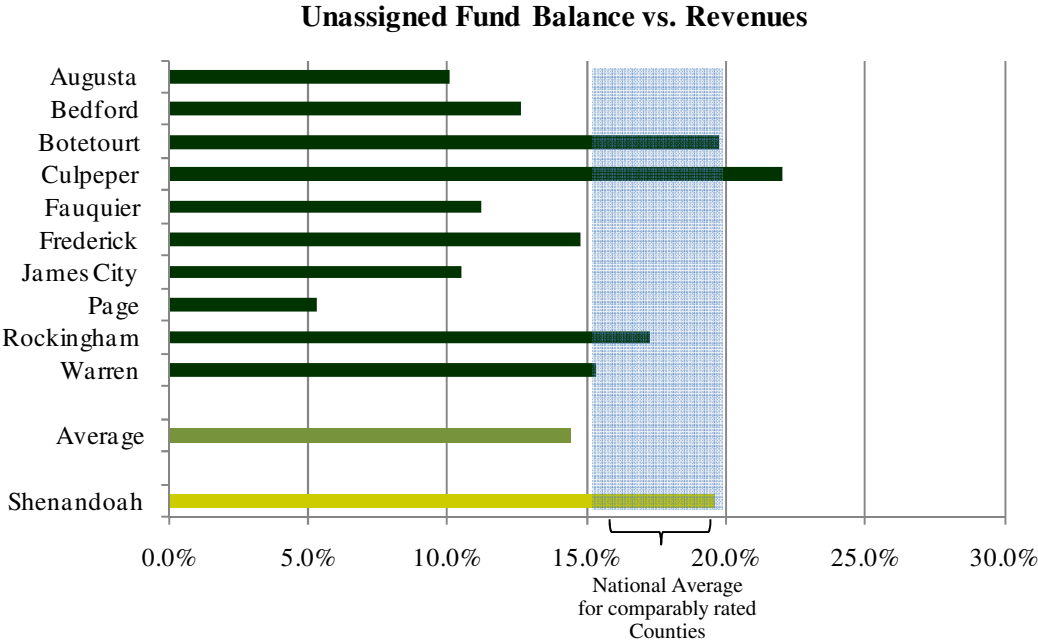
- The County’s 2011 Unassigned General Fund Balance was \$9,686,116 and the Fund Balance Assigned to Capital Projects was \$8,627,888.

Ample reserves allow a local government to operate without the need for cash-flow borrowing plus provide for a ‘margin of safety’. In order to clarify the amount set aside for a Fiscal Reserve the County may wish to consider a policy which moves 12.5% of General Fund and Component Unit School Revenues to a Fiscal Reserve line item under Committed (or Restricted) Fund Balance. The remaining amount would remain as Unassigned and/or Assigned to Capital Projects.



2nd Characteristic – Maintaining Strong Reserves (con't)

Shenandoah County, Virginia



Note: Chart above represents 2011 data, with the exception of Page County, for which only 2010 data was available. Shenandoah’s unassigned fund balance includes fund balance assigned to capital projects.



Why an Unassigned/Undesignated Fund Balance is important

Shenandoah County, Virginia

- Why is maintaining a healthy Unassigned/Undesignated Fund Balance important?
 - Provides adequate month-to-month cash flow and eliminates the need for costly cash-flow borrowing.
 - Provides funds for emergency situations (i.e. natural disaster...hurricane).
 - Provides funds for unforeseen expenditures or revenues shortfalls that occur during a Fiscal Year.
 - Provides comfort to potential lenders and the Rating Agencies as it relates to the County’s financial strength / flexibility and thus allows the County to obtain competitive financing.
 - Provides the potential to generate interest earnings which limit pressure on the tax base (i.e. real estate tax rate). For every \$1 million used by the County, the County would lose between \$10,000 to \$45,000 per year of interest income. Over a 10 year period, this opportunity cost would amount to between \$115,000 and \$625,000.

	Earnings at	Earnings at
<u>Lost Earnings</u>	<u>1.00%</u>	<u>4.50%</u>
Per \$1 million	\$115,000	\$625,000
Estimated Lost Earnings		
@ \$3 million	\$345,000	\$1,875,000



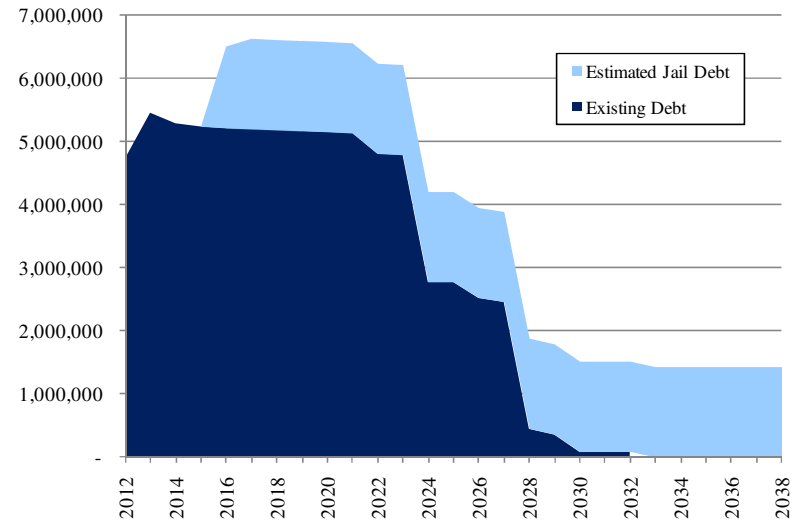
3rd Characteristic – Debt Management

Shenandoah County, Virginia

Overview of Existing Debt Obligations

- Debt increases in FY 2016 as the permanent Jail funding comes online.

FY	Total	Estimated Jail Debt Service	Total Including Jail	Increase/ (Decrease)
Total	\$73,277,433	\$38,527,387	\$111,804,819	(\$4,961,044)
2012	4,971,293	-	\$4,971,293	-
2013	5,457,627	-	5,457,627	\$486,334
2014	5,291,172	-	5,291,172	(166,455)
2015	5,243,198	-	5,243,198	(47,974)
2016	5,217,756	\$1,300,524	6,518,280	1,275,082
2017	5,205,839	1,431,904	6,637,744	119,463
2018	5,189,728	1,430,923	6,620,651	(17,092)
2019	5,172,434	1,430,741	6,603,175	(17,476)
2020	5,157,336	1,431,259	6,588,595	(14,580)
2021	5,138,855	1,432,379	6,571,234	(17,361)
2022	4,811,057	1,432,217	6,243,274	(327,960)
2023	4,794,787	1,430,774	6,225,562	(17,712)
2024	2,779,200	1,431,619	4,210,819	(2,014,743)
2025	2,776,505	1,430,985	4,207,490	(3,329)
2026	2,527,177	1,430,658	3,957,834	(249,656)
2027	2,462,618	1,430,537	3,893,155	(64,679)
2028	454,177	1,430,526	1,884,703	(2,008,451)
2029	360,996	1,432,309	1,793,305	(91,398)
2030	88,559	1,432,121	1,520,680	(272,625)
2031	88,559	1,431,746	1,520,305	(375)
2032	88,559	1,431,086	1,519,645	(660)
2033	-	1,431,826	1,431,826	(87,819)
2034	-	1,431,986	1,431,986	159
2035	-	1,431,465	1,431,465	(520)
2036	-	1,431,951	1,431,951	486
2037	-	1,431,462	1,431,462	(489)
2038	-	1,431,683	1,431,683	221
2039	-	1,430,633	1,430,633	(1,050)
2040	-	1,431,783	1,431,783	1,149
2041	-	1,431,267	1,431,267	(516)
2042	-	1,430,772	1,430,772	(495)
2043	-	10,249	10,249	(1,420,523)



- Existing Debt 10-Year Debt Payout Ratio is 66%⁽¹⁾.
- 50% or greater is considered a “Best Practices” target.

(1) Does not include estimated new jail debt service.



Per Diem Calculation – Regional Jail Project

Shenandoah County, Virginia

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1 Authority Cash Flow Before Member Jurisdiction Per Diems										
2 Rappahannock County	n/a	n/a	n/a	(396,457)	(885,396)	(949,672)	(966,311)	(983,751)	(1,001,971)	(1,020,951)
3 Shenandoah County	n/a	n/a	n/a	(1,090,257)	(2,434,838)	(2,611,597)	(2,657,356)	(2,705,316)	(2,755,421)	(2,807,614)
4 Warren County	n/a	n/a	n/a	(1,486,714)	(3,320,233)	(3,561,268)	(3,623,667)	(3,689,067)	(3,757,392)	(3,828,565)
5 Total	n/a	n/a	n/a	(2,973,427)	(6,640,467)	(7,122,536)	(7,247,334)	(7,378,135)	(7,514,784)	(7,657,130)
6										
7 Current Local Jail Budget										
8 Rappahannock County	-	101,455	104,499	107,634	110,863	114,188	117,614	121,143	124,777	128,520
9 Shenandoah County	-	707,209	728,426	750,278	772,787	795,970	819,849	844,445	869,778	895,872
10 Warren County	-	708,653	729,913	751,810	774,365	797,596	821,524	846,169	871,554	897,701
11										
12 Estimated Total of Member Jurisdiction Per Diems Net of Local Jail Budgets										
13 Rappahannock County	n/a	n/a	n/a	(288,823)	(774,533)	(835,483)	(848,697)	(862,609)	(877,194)	(892,431)
14 Shenandoah County	n/a	n/a	n/a	(339,978)	(1,662,051)	(1,815,626)	(1,837,507)	(1,860,871)	(1,885,642)	(1,911,743)
15 Warren County	n/a	n/a	n/a	(734,903)	(2,545,869)	(2,763,673)	(2,802,144)	(2,842,898)	(2,885,838)	(2,930,864)
16										
17 Gross Per Diem										
18 Rappahannock County	n/a	n/a	n/a	(30.17)	(67.38)	(72.27)	(73.54)	(74.87)	(76.25)	(77.70)
19 Shenandoah County	n/a	n/a	n/a	(30.17)	(67.38)	(72.27)	(73.54)	(74.87)	(76.25)	(77.70)
20 Warren County	n/a	n/a	n/a	(30.17)	(67.38)	(72.27)	(73.54)	(74.87)	(76.25)	(77.70)
21										
22 Net Per Diem										
23 Rappahannock County	n/a	n/a	n/a	(21.98)	(58.94)	(63.58)	(64.59)	(65.65)	(66.76)	(67.92)
24 Shenandoah County	n/a	n/a	n/a	(9.41)	(46.00)	(50.25)	(50.85)	(51.50)	(52.18)	(52.91)
25 Warren County	n/a	n/a	n/a	(14.91)	(51.67)	(56.09)	(56.87)	(57.69)	(58.57)	(59.48)

From page 27 of the January 10, 2012 presentation to the Board.



Estimated Net Per Diem Tax Impact – Regional Jail Project

Shenandoah County, Virginia

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1 Estimated Rappahannock Net Per Diem Tax Impact										
2 Authority Cash Flow Before Per Diems Net of Local Jail Budget	n/a	n/a		(288,823)	(774,533)	(835,483)	(848,697)	(862,609)	(877,194)	(892,431)
3 2012 Value of 1¢	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
4 Total Tax Equivalent	n/a	n/a		1.7¢	4.4¢	4.8¢	4.8¢	4.9¢	5.0¢	5.1¢
5 Annual Incremental Tax Impact	n/a	n/a		1.7¢	2.8¢	0.3¢	0.1¢	0.1¢	0.1¢	0.1¢
6										
7 Estimated Shenandoah Net Per Diem Tax Impact										
8 Authority Cash Flow Before Per Diems Net of Local Jail Budget	n/a	n/a		(339,978)	(1,662,051)	(1,815,626)	(1,837,507)	(1,860,871)	(1,885,642)	(1,911,743)
9 2012 Value of 1¢	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
10 Total Tax Equivalent	n/a	n/a		0.9¢	4.4¢	4.8¢	4.9¢	5.0¢	5.0¢	5.1¢
11 Annual Incremental Tax Impact	n/a	n/a		0.9¢	3.5¢	0.4¢	0.1¢	0.1¢	0.1¢	0.1¢
12										
13 Estimated Warren Net Per Diem Tax Impact										
14 Authority Cash Flow Before Per Diems Net of Local Jail Budget	n/a	n/a		(734,903)	(2,545,869)	(2,763,673)	(2,802,144)	(2,842,898)	(2,885,838)	(2,930,864)
15 2012 Value of 1¢	357,566	357,566	357,566	357,566	357,566	357,566	357,566	357,566	357,566	357,566
16 Total Tax Equivalent	n/a	n/a		2.1¢	7.1¢	7.7¢	7.8¢	8.0¢	8.1¢	8.2¢
17 Annual Incremental Tax Impact	n/a	n/a		2.1¢	5.1¢	0.6¢	0.1¢	0.1¢	0.1¢	0.1¢

From page 28 of the January 10, 2012 presentation to the Board.



3rd Characteristic – Debt Management (con't)

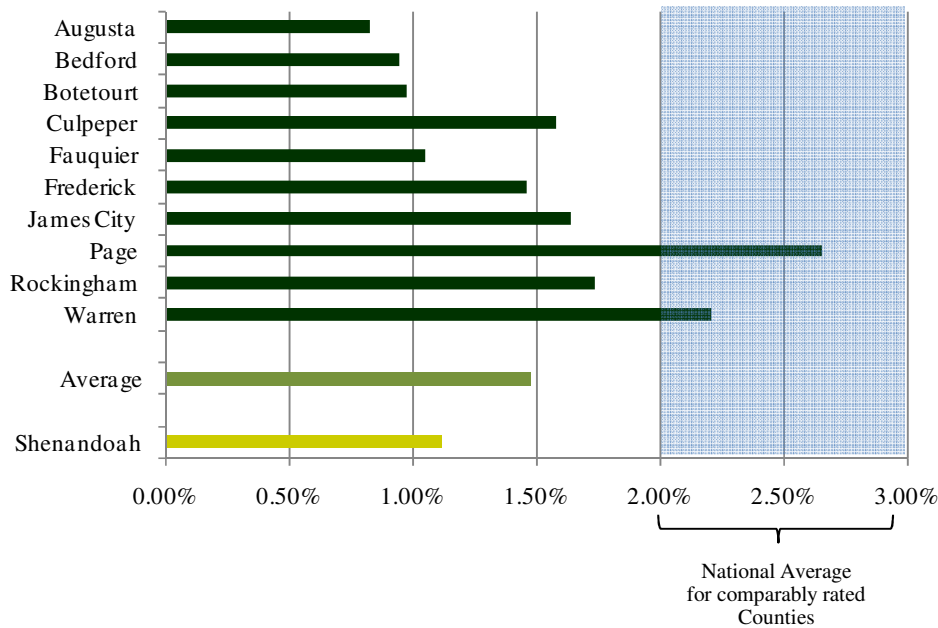
Shenandoah County, Virginia

Total Assessed Valuation of Taxable Property

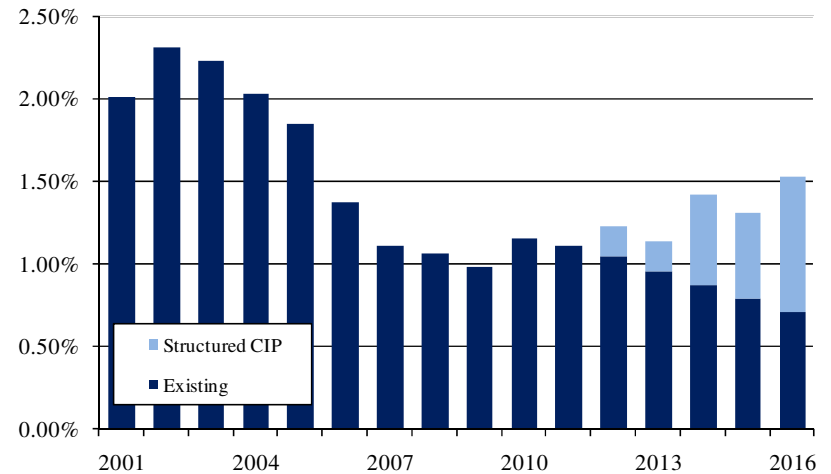
- On a comparative basis as of FY 2011 the County was below the peer group average.

- The County's debt to assessed valuation is currently projected to be roughly 1.40% in FY 2014.

Debt vs. Assessed Value



Debt vs. Assessed Value



Note: Chart above represents 2011 data, with the exception of Page County, for which only 2010 data was available.



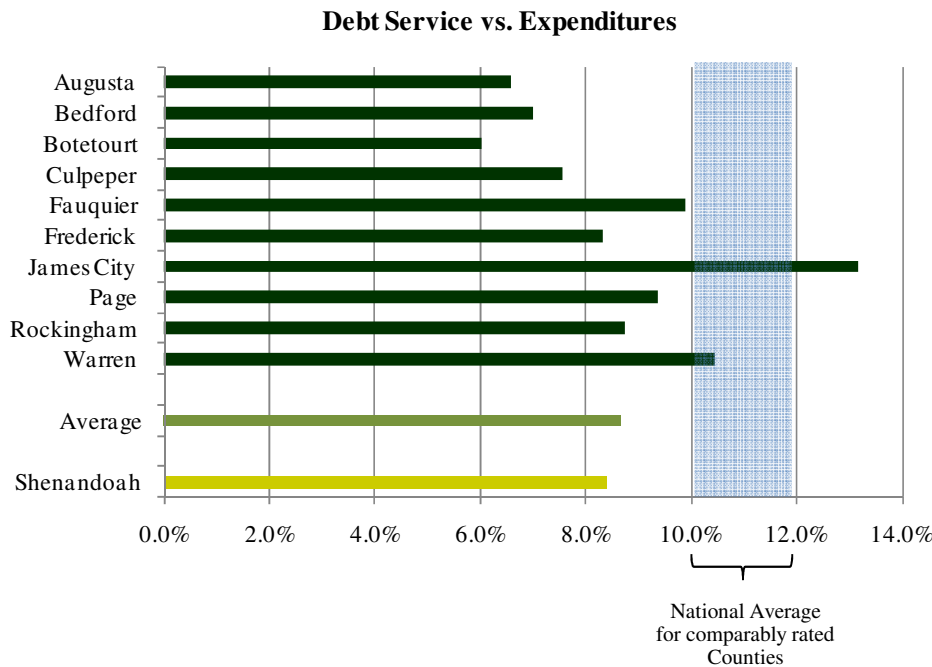
3rd Characteristic – Debt Management (con't)

Shenandoah County, Virginia

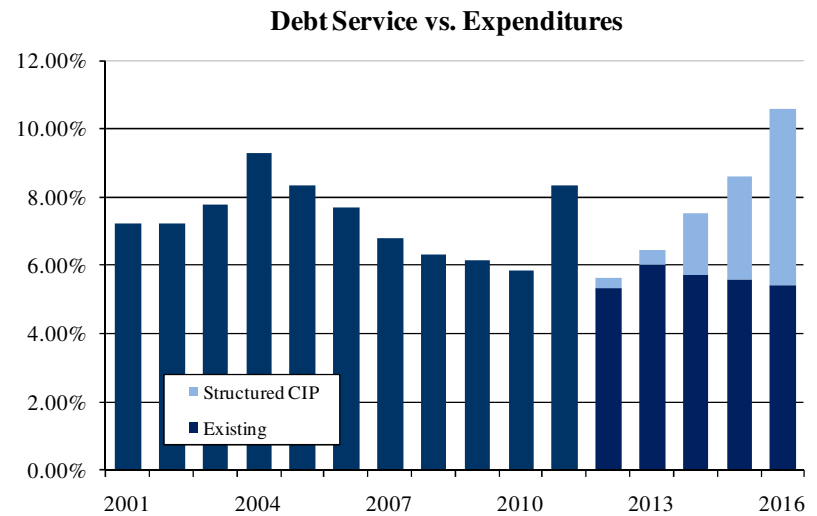
Debt Service versus Total Expenditures

- On a comparative basis as of FY 2011 the County's ratio was below the peer group average and the 10-12% benchmark considered as following "best practices".

- The County's ratio is projected to substantially increase when the County's first proposed new school project comes on line.



Note: Chart above represents 2011 data, with the exception of Page County, for which only 2010 data was available.



Note: Debt service includes payoff of Capital Leases in 2011.



3rd Characteristic – Debt Management (con't)

Refinancing Certain Obligations for Debt Service Savings

Shenandoah County, Virginia

- Pro-active Financial Management and the historically low interest rate environment allowed the County in the Fall of 2011 to successfully refinance \$3.6 million of Rural Development loans taken out for the Courthouse project.
- Lowering the interest rate from 4.75% to 3.24% saving the County over \$370,000 in debt service over the next 17 years.
- Concurrently this 'frees up' debt capacity for potential future projects.



4th Characteristic – Multi-Year Capital Planning

Shenandoah County, Virginia

- 1st** Develop a multi-year plan (typically 5 years) – Draft Fiscal Year 2013-2017 Capital Plan to be presented to the Board on February 28;
- 2nd** Identify projects and individually review various sources of funding (e.g. cash, proffers, low interest loans, grants, debt funding, etc.);
- 3rd** Combine the expected cash flows of projects by year to create a Capital Sources and Uses; and,
- 4th** Review resulting debt funding from both a *Debt Capacity* and *Debt Availability* perspective.
 - Debt Capacity reviews whether the locality is responsibly issuing debt.
 - Debt Availability looks at how the locality's cash flow budget is affected.



5th Characteristic – Formalizing Financial Policy Guidelines

Shenandoah County, Virginia

- Fiscal Policy Guidelines are the basis for sound financial management. These formally adopted guidelines set the framework for budgets and debt management now and into the future.
- Fiscal Policy Guidelines examples include:
 - “The County will maintain annual tax-supported debt service, including leases, as a percent of the County’s General Fund, Debt Service Fund and School Component Unit expenditures at a level of not to exceed 12%.”
 - “The County will maintain total tax-supported debt, including leases, as a percent of total taxable Assessed Value of the County at a level not to exceed 4%.”
 - “The County intends to maintain its 10 year tax-supported debt and lease payout ratio at or above 60% at the end of each adopted five year CIP. The payout ratio shall be no less than 55% in any one year during that period. “
 - A portion of the County General Fund Balance at the close of each fiscal year shall be reserved in an amount equal to no less than 12.5% of the governmental funds’ net operating revenue in the subsequent fiscal year budget. Governmental funds’ net operating revenue includes total General Fund revenue plus total component unit School Component Unit general operating revenue.
 - A portion of the annual General Fund cash flow shall be used for one time capital projects. The long term goal of designating annual cash for capital is 5.00% of General Fund revenues.

A history of adherence to Adopted Financial Policy Guidelines related to budgeting, reserve levels and debt levels is viewed as a credit positive.

Edinburg School Project – Overview



Shenandoah County, Virginia

- Opportunity exists to refurbish the Edinburg School:
 - Meet the instructional needs of two distinct student population groups;
 - Lower the all-in cost of servicing these students;
 - Preserve and protect a historical building of Shenandoah County; and,
 - Provide for community use of the facility including specific use by the Department of Parks and Recreation and the Shenandoah Area Agency on Aging.

Goals and Objectives



Shenandoah County, Virginia

- Utilize the County's existing funding amounts for the students that will be educated in the building.

- Take advantage of a unique opportunity to protect and preserve a historic County building and to reutilize this building in a strategic location for overall County use and for regional collaboration.

- Strategically use existing and new funding sources tied to the program(s) to minimize the impact on the General Fund now and into the future.

- Do no harm to the current and Fiscal Years 2013 General Fund budgets.

The Project



Shenandoah County, Virginia

- Proposed uses:
 - A 23,000 sq. ft. renovation of a historic school and 4,600 sq. ft. addition into:
 - Students with emotional disabilities;
 - Students with Autism;
 - Career and Technical Education (special needs students only);
 - Senior Center (Shenandoah Area Agency on Aging); and,
 - Daily Activity Center
 - Meals on Wheels
 - Department of Parks and programs and activities.
 - Estimated renovation costs are approximately \$4 million.



Net New Funds Available for the Project

- Net New Funds Available to Meet the Cost of the Project:
 - Combination of New Revenues and Operational Savings;
 - Conservatively estimate about \$240,000 annually:
 - \$140,000 from rent revenue
 - \$50,000 from transportation savings
 - \$50,000 from additional tuition savings; and
 - Translates into roughly \$4 million in debt service coverage.



Net New Funds Available (cont.)

- Basic “worst case” Assumptions to Determine Available Funds
 - Likely that all special needs classrooms will not be utilized at initial opening;
 - Increase in number of County special needs students over time will result in greater local savings per student;
 - Increase in number of non-County special needs students over time will result in increase in tuition savings;
 - Current CSA match rate at 35% (local);
 - Possible increase in CSA match rate of 50% local would translate into increased savings for County run program and likely attract more non-County students; and,
 - Using Composite Index match rate at 37% could be cost effective.



Approach / Plan of Finance

- Project is able to be financed via tax-exempt bonds.
- There are no issues which currently require an interim financing as previously discussed.
- County has multiple financing options:
 1. Portion of the project could be financed via state Virginia Public School Authority; however governmental use portion would have to be financed via another mechanism;
 2. All of the project could be financed via state pool such as Virginia Resources Authority/VML Vaco; or,
 3. Competitively bid to local and regional financial institutions.
- Option 1 would require two different financing which increase the costs of issuance.
- Recommendation is to look more closely at Options 2 and 3 to avoid two separate financings.



Approach / Plan of Finance

- In either Option 2 or 3's case:
 - Security - Potential collateral required such as the building itself as well as the County's Moral Obligation.
 - The financing would be a lease revenue bond which may require issuance through the Economic Development Authority.
- Possible outcome of Option 3 could be a fixed rate for ten years amortized over twenty to twenty five years or longer.
- Could send a request for proposals out in advance of VRA sale to have bank bids in as 'bird in hand'.



Approach / Plan of Finance

- Assuming that the County recognizes \$240,000 toward debt service grown at 2% per year (note FY13 is ½ of a year) which is a conservative estimate, see below the revised debt service for the future Fiscal Years generally as follows:

\$4 million project cost @ 4% over 25 years

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
				(1+2-3)
	Existing	Estimated	Estimated	Estimated
	Debt Service	Edinburg	Revenues	Net
<u>Fiscal Year</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Available</u>	<u>Debt Service</u>
2012	\$4,971,293	\$0		\$4,971,293
2013	5,457,627	115,711	\$120,000	5,453,338
2014	5,291,172	239,000	240,000	5,290,172
2015	5,243,198	241,000	244,800	5,239,398
2016	5,217,756	247,800	249,696	5,215,860
2017	5,205,839	254,200	254,690	5,205,349
2018	5,189,728	255,200	259,784	5,185,144
2019	5,172,434	261,000	264,979	5,168,454
2020	5,157,336	266,400	270,279	5,153,457
2021	5,138,855	271,400	275,685	5,134,571
2022	4,811,057	281,000	281,198	4,810,859
2023	4,794,787	280,000	286,822	4,787,965
2024	2,779,200	278,800	292,559	2,765,441
2025	2,776,505	282,400	298,410	2,760,495

- Principal is ramped up through 2019 in order to meet Estimated Revenues Available.

Tentative Schedule



Shenandoah County, Virginia

October 2011

Board of Supervisors approved Interim Comprehensive Agreement pursuant to PPEA.

March 2012

35% of Design Drawings and Cost Estimates completed.

April 2012

Board of Supervisors approve Comprehensive Agreement with guaranteed maximum price and adopt a Reimbursement Resolution.

April 2012/May 2012

Davenport moves forward with Plan of Finance.

May 2012

Construction begins.

December 2012

Facility opens.