

Discussion Materials

Amherst County, Virginia



July 18, 2023

Background



- As Financial Advisor to the County of Amherst, Virginia (the “County”), Davenport & Company LLC (“Davenport”) assists the County in evaluating and measuring funding scenarios for its capital needs, among other items.
- Most recently Davenport has been tasked to:
 - Analyze funding scenarios and options related to the Renovation Project for the Amherst County High School (the “School Project”); and
 - Provide perspective on the County’s Debt Capacity and Affordability.
- Based on our discussions with County and School Staff, Davenport has prepared preliminary analyses and related scenarios to illustrate the Debt Capacity and Affordability related to the School Project based on the following amounts:

Scenario 1
\$10.5 Million
30 Year | Level Debt Service

Scenario 2
\$10.5 Million
25 Year | Structured

- Given the estimated amount above, Davenport prepared two scenarios to illustrate how the County may want to consider structuring the new debt service in order to:
 - Minimize the impact on the County’s budget; and
 - Reduce the potential interest expense.

Goals and Objectives



- Give an overview of the County’s Existing Tax-Supported Debt Profile.

- Based on Scenarios 1 and 2 for the School Project and current market estimates* as of July 7, 2023, provide the County with an updated perspective on Debt Capacity and Debt Affordability.
 - **Debt Capacity** is defined as the “relative level(s) of debt the County can reasonably undertake over a period of years and remain comparable to its peers.”
 - **Debt Affordability** is defined as the “cash-flow impact to the County’s current and future budgets when undertaking a certain level(s) of debt”.

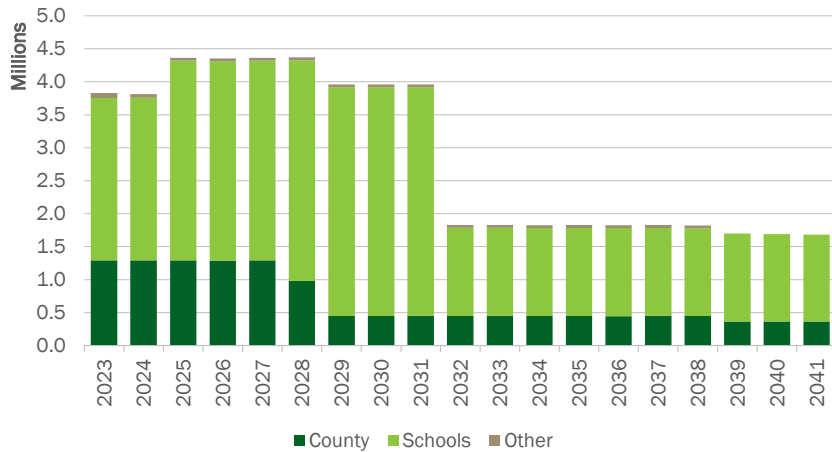
Existing Debt Profile



Existing Tax-Supported Debt Profile



Tax-Supported Debt Service*



Tax-Supported Debt Service

Fiscal Year	County Debt Service	School Debt Service	Other Debt Service*	Total Debt Service	Total Principal Outstanding	10-Year Payout Ratio
Total	\$ 13,019,012	\$ 42,392,553	\$ 740,392	\$ 56,151,957	\$ 43,741,809	
2023	1,292,537	2,463,771	75,105	3,831,413	2,820,704	66.6%
2024	1,291,162	2,465,843	54,061	3,811,065	2,899,704	67.5%
2025	1,293,031	3,026,275	43,394	4,362,700	2,988,080	68.6%
2026	1,288,132	3,024,624	43,104	4,355,859	3,087,040	70.0%
2027	1,289,724	3,030,359	44,443	4,364,526	3,206,280	71.7%
2028	980,122	3,345,004	43,999	4,369,125	3,335,000	73.8%
2029	448,115	3,470,093	43,485	3,961,693	3,050,000	76.6%
2030	448,554	3,467,886	42,914	3,959,354	3,170,000	80.1%
2031	451,426	3,465,951	43,993	3,961,370	3,300,000	84.9%
2032	448,195	1,337,181	43,314	1,828,690	1,260,000	91.8%
2033	452,156	1,332,994	44,271	1,829,420	1,315,000	100.0%
2034	449,295	1,331,660	43,470	1,824,424	1,365,000	100.0%
2035	449,700	1,332,928	44,311	1,826,938	1,425,000	100.0%
2036	446,451	1,334,559	43,394	1,824,404	1,475,000	100.0%
2037	450,995	1,332,195	44,099	1,827,289	1,525,000	100.0%
2038	446,745	1,330,725	43,037	1,820,507	1,570,000	100.0%
2039	365,638	1,334,758	-	1,700,395	1,505,000	100.0%
2040	362,691	1,326,968	-	1,689,658	1,550,000	100.0%
2041	364,344	1,317,558	-	1,681,901	1,600,000	100.0%
2042	-	1,321,224	-	1,321,224	1,295,000	100.0%

Par Outstanding – Estimated as of 6/30/2022

Type	Par Amount
County	\$10,683,400
Schools	\$32,420,000
Other*	\$638,409
Total	\$43,741,809

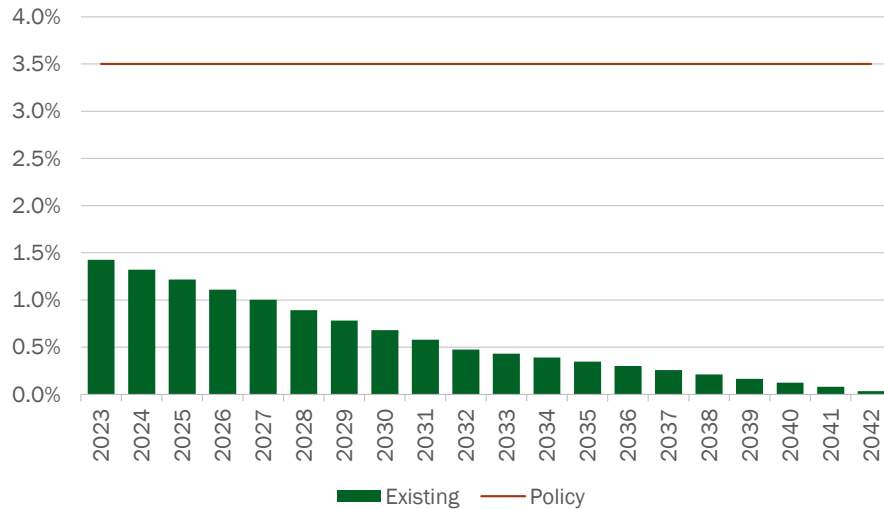
Note: Does not include County's Utility debt or Caterpillar Equipment Lease.

*Other Debt includes Humane Society's portion of USDA Loan, via EDA, and the EDA Loan for the CMC Building in the Industrial Park.

Key Debt Ratios



Debt to Assessed Value

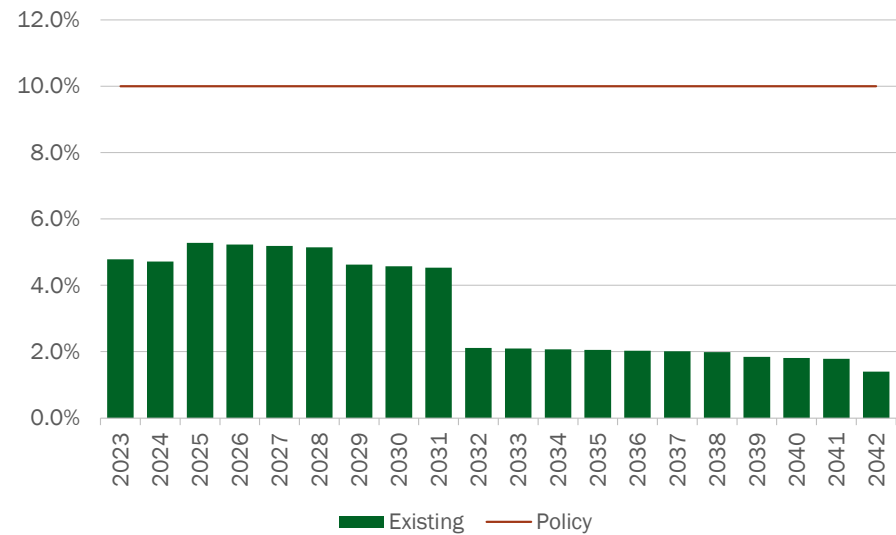


- Existing Debt to Assessed Value
 - FY 2023: 1.43%

- Assumed Future Growth Rates
 - 2021 Assessed Value: \$3,005,395,184
 - 2022 & Beyond: 1.0%

- The County is in compliance with its Financial Policy regarding a maximum Debt to Assessed Value ratio of 3.5%.

Debt Service vs. Governmental Expenditures

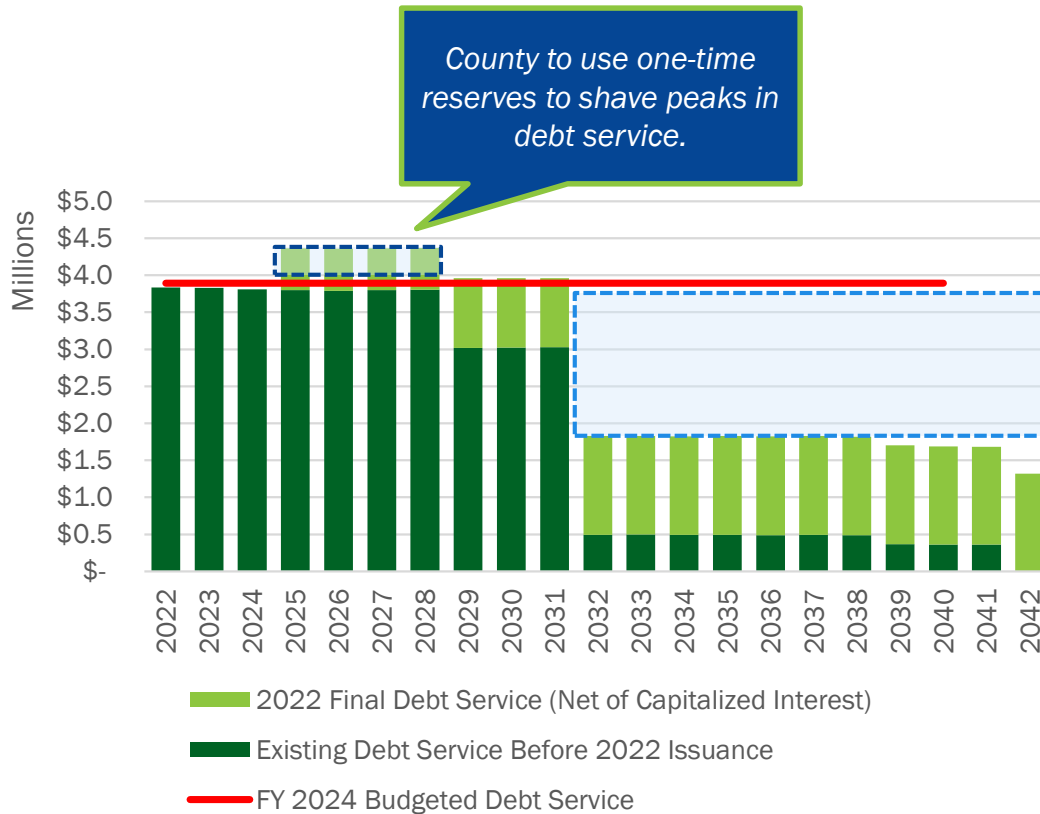


- Existing Debt Service vs. Expenditures
 - FY 2022: 4.78%

- Assumed Future Growth Rates
 - 2021 Adjusted Expenditures: \$74,738,384
 - 2022 & Beyond: 1.0%

- The County is in compliance with its Financial Policy regarding a maximum Debt Service vs. Expenditures ratio of 10.0%.

Decline In Debt Service



- Per the Strategic Plan of Finance, the County’s 2022 VPSA issuance causes the County’s debt service to step up and peak in Fiscal Years 2025 through 2028.
 - The County’s plan is to use conservative budgeting and one-time reserves to shave these peaks.
- *Beginning in FY 2032 and beyond, the County’s Debt Service steps down roughly \$2.1 million.*

Cash Flow Impact



A	B	C	D (B + C)	E	F	G (D - E + F)
Fiscal Year	Existing Debt Service as of 6/30/2022 ⁽¹⁾	Gateway Interim Financing Interest	Aggregate Debt Service	FY 2024 Debt Service Budget	Planned Use of Reserves	Potential Incremental Need
2024	3,811,065	80,153	3,891,218	3,893,014	-	(1,796)
2025	4,362,700	99,500	4,462,200	3,893,014	(386,898)	182,289
2026	4,355,859	99,500	4,455,359	3,893,014	(380,057)	182,289
2027	4,364,526	-	4,364,526	3,893,014	(289,224)	182,289
2028	4,369,125	-	4,369,125	3,893,014	(293,823)	182,289
2029	3,961,694	-	3,961,694	3,893,014	-	68,680
2030	3,959,354	-	3,959,354	3,893,014	-	66,340
2031	3,961,370	-	3,961,370	3,893,014	-	68,356
2032	1,828,690	-	1,828,690	3,893,014	-	(2,064,324)
2033	1,829,421	-	1,829,421	3,893,014	-	(2,063,593)
2034	1,824,424	-	1,824,424	3,893,014	-	(2,068,590)
2035	1,826,939	-	1,826,939	3,893,014	-	(2,066,076)
2036	1,824,404	-	1,824,404	3,893,014	-	(2,068,610)
2037	1,827,289	-	1,827,289	3,893,014	-	(2,065,725)
2038	1,820,507	-	1,820,507	3,893,014	-	(2,072,507)
2039	1,700,396	-	1,700,396	3,893,014	-	(2,192,619)
2040	1,689,659	-	1,689,659	3,893,014	-	(2,203,356)
2041	1,681,902	-	1,681,902	3,893,014	-	(2,211,113)
2042	1,321,224	-	1,321,224	3,893,014	-	(2,571,790)
2043	-	-	-	3,893,014	-	(3,893,014)
2044	-	-	-	3,893,014	-	(3,893,014)
2045	-	-	-	3,893,014	-	(3,893,014)
2046	-	-	-	3,893,014	-	(3,893,014)
2047	-	-	-	3,893,014	-	(3,893,014)
2048	-	-	-	3,893,014	-	(3,893,014)
Total	\$ 52,320,545	\$ 279,153	\$ 52,599,698	\$ 97,325,350	\$ (1,350,000)	\$ (46,075,652)

⁽¹⁾Includes VPSA Annual Admin Fee of 5bps, or 0.05%.

Capital Funding Scenarios



Scenarios Analyzed

- Based on guidance from the County’s Staff and for the purposes of this analysis, Davenport has analyzed the following Funding Scenarios: The Key Assumptions utilized are as follows:

	Scenario 1 \$10.5 Million 30 Year LDS	Scenario 2 \$10.5 Million 25 Year Structured
Amortization	Level Debt Service ("LDS")	Structured
Issuance/Timing	2024 VPSA Spring Pool	2024 VPSA Spring Pool
Term (in years)	29.2	24.1
Interest Rate	Current Market ⁽¹⁾	Current Market ⁽¹⁾

(1) Estimates are preliminary, based upon Current Market as of 7/7/2023, and are subject to change.

Debt Service Summary* | \$10.5mm Project Fund



	Scenario 1 - \$10.5 Million 30 Year - Level Debt Service			Scenario 2 - \$10.5 Million 25 Year - Structured		
	A	B	C	D	E	F
Current Market Estimates*						
1 Key Assumptions						
2 Closing/Dated Date			5/21/2024			5/21/2024
3 Final (Local) Maturity			7/15/2053			7/15/2048
4 Term (in Years)			29.2			24.2
5 Estimated TIC			3.994%			3.870%
6 Issuer/Program Annual Fee			0.050%			0.050%
7 Estimated AIC			4.239%			4.096%
8						
9 Sources						
10 Par Amount			\$ 10,250,000			\$ 11,360,000
11 OIP / (OID)			554,564			854,058
12 Total Sources			\$ 10,804,564			\$ 12,214,058
13						
14 Uses						
15 Project Funds			\$ 10,500,000			\$ 10,500,000
16 Capitalized Interest			-			1,404,627
17 Local Costs of Issuance/Contingency			250,000			250,000
18 Underwriter's Discount			51,250			56,800
19 Additional Proceeds			3,314			2,630
20 Total Uses			\$ 10,804,564			\$ 12,214,058
21						
22	Estimated Annual Debt Service ^(1,2)			Estimated Annual Debt Service ^(1,2)		
		Principal	Interest⁽¹⁾	Total Net Debt Service		Total Net Debt Service
23 2025	\$	-	\$ 324,570	\$ 324,570	\$	-
24 2026		165,000	463,215	628,215		-
25 2027		175,000	454,630	629,630		-
26 2028		185,000	445,540	630,540		521,305
27 2029		190,000	436,071	626,071		521,305
28 2030		200,000	426,224	626,224		521,305
29 2031		215,000	415,745	630,745		521,305
30 2032		225,000	404,635	629,635	405,000	511,079
31 2033		235,000	393,020	628,020	425,000	490,121
32 2034		245,000	380,900	625,900	450,000	468,028
33 2035		260,000	368,149	628,149	470,000	444,798
34 2036		275,000	354,640	629,640	495,000	420,431
35 2037		290,000	340,374	630,374	520,000	394,803
36 2038		305,000	325,350	630,350	550,000	367,785
37 2039		320,000	309,569	629,569	575,000	339,379
38 2040		335,000	293,030	628,030	605,000	309,584
39 2041		350,000	275,734	625,734	635,000	278,274
40 2042		370,000	257,554	627,554	670,000	245,323
41 2043		390,000	240,314	630,314	700,000	214,230
42 2044		405,000	224,215	629,215	730,000	185,273
43 2045		420,000	207,509	627,509	760,000	155,100
44 2046		440,000	190,094	630,094	790,000	123,713
45 2047		455,000	171,686	626,686	825,000	90,493
46 2048		475,000	152,272	627,272	860,000	55,319
47 2049		495,000	132,023	627,023	895,000	18,683
48 2050		520,000	110,510	630,510	-	-
49 2051		540,000	87,720	627,720	-	-
50 2052		565,000	63,963	628,963	-	-
51 2053		590,000	39,130	629,130	-	-
52 2054		615,000	13,223	628,223	-	-
53 Total		\$ 10,250,000	\$ 8,301,606	\$ 18,551,606	\$ 11,360,000	\$ 7,197,633
54 Difference from Scenario 1						\$ 6,026

Notes:

*Current Market estimates are preliminary as of 7/7/2023; subject to change.

- (1) Includes the Annual VPSA Administrative Fee of 5 bps (0.05%).
- (2) These estimated debt service schedules are for illustration purposes only, the actual structure will need to be reviewed and approved by the Lender and their respective Counsel.

Summary of Preliminary Results⁽¹⁾



	Scenario 1	Scenario 2	Difference
	A	B	(B - A)
1 Key Assumptions			
2 Project Fund	\$ 10,500,000	\$ 10,500,000	\$ -
3 Term in Years	29.2	24.2	(5.0)
4 Debt Service Structure	LDS	Structured	
5 Capitalized Interest	-	1,404,627	1,404,627
6			
7 Preliminary Current Market Estimates*			
8 Par Amount	\$ 10,250,000	\$ 11,360,000	
9 True Interest Cost (TIC)	3.994%	3.870%	-0.124%
10 All-in TIC	4.239%	4.096%	-0.143%
11 Interest Expense over Term of Borrowing ⁽¹⁾	\$ 8,301,606	\$ 7,197,633	\$ (1,103,974)
12 Average Annual Debt Service ⁽¹⁾	\$ 628,518	\$ 843,529	\$ 215,010
13			
14 Estimated Incremental Revenues Needed			
15 2025	\$ 506,859	\$ 182,289	\$ (324,570)
16 2026	810,504	182,289	(628,215)
17 2027	811,919	182,289	(629,630)
18 2028	812,829	703,594	(109,235)
19 2029	694,751	589,985	(104,766)
20 2030	692,564	587,645	(104,919)
21 2031	699,101	589,661	(109,440)

*Current Market estimates as of 7/7/2023.

(1) Includes the Annual VPSA Administrative Fee of 5 bps (0.05%).

Appendix



Appendix A | Scenario 1 Details

New Money Debt Service Results | Scenario 1

30 Year VPSA Spring Pool Issuance – Level Debt Service



A	B	C	D	E (B - C + D)	F	G (E + F)
Fiscal Year	Aggregate Existing Debt Service as of 6/30/2023 ⁽¹⁾	FY 2024 Debt Service Budget	Planned Use of Reserves	Current Potential Incremental Need	Scenario 1 Proposed Net Debt Service ⁽¹⁾	Additional Estimated Incremental Need
2024	3,891,218	3,893,014	-	(1,796)	-	(1,796)
2025	4,462,200	3,893,014	(386,898)	182,289	324,570	506,859
2026	4,455,359	3,893,014	(380,057)	182,289	628,215	810,504
2027	4,364,526	3,893,014	(289,224)	182,289	629,630	811,919
2028	4,369,125	3,893,014	(293,823)	182,289	630,540	812,829
2029	3,961,694	3,893,014		68,680	626,071	694,751
2030	3,959,354	3,893,014		66,340	626,224	692,564
2031	3,961,370	3,893,014		68,356	630,745	699,101
2032	1,828,690	3,893,014		(2,064,324)	629,635	(1,434,689)
2033	1,829,421	3,893,014		(2,063,593)	628,020	(1,435,573)
2034	1,824,424	3,893,014		(2,068,590)	625,900	(1,442,690)
2035	1,826,939	3,893,014		(2,066,076)	628,149	(1,437,927)
2036	1,824,404	3,893,014		(2,068,610)	629,640	(1,438,970)
2037	1,827,289	3,893,014		(2,065,725)	630,374	(1,435,351)
2038	1,820,507	3,893,014		(2,072,507)	630,350	(1,442,157)
2039	1,700,396	3,893,014		(2,192,619)	629,569	(1,563,050)
2040	1,689,659	3,893,014		(2,203,356)	628,030	(1,575,325)
2041	1,681,902	3,893,014		(2,211,113)	625,734	(1,585,379)
2042	1,321,224	3,893,014		(2,571,790)	627,554	(1,944,236)
2043	-	3,893,014		(3,893,014)	630,314	(3,262,700)
2044	-	3,893,014		(3,893,014)	629,215	(3,263,799)
2045	-	3,893,014		(3,893,014)	627,509	(3,265,505)
2046	-	3,893,014		(3,893,014)	630,094	(3,262,920)
2047	-	3,893,014		(3,893,014)	626,686	(3,266,328)
2048	-	3,893,014		(3,893,014)	627,272	(3,265,742)
2049	-	3,893,014		(3,893,014)	627,023	(3,265,991)
2050	-	3,893,014		(3,893,014)	630,510	(3,262,504)
2051	-	3,893,014		(3,893,014)	627,720	(3,265,294)
2052	-	3,893,014		(3,893,014)	628,963	(3,264,052)
2053	-	3,893,014		(3,893,014)	629,130	(3,263,884)
2054	-	3,893,014		(3,893,014)	628,223	(3,264,792)
Total	\$ 52,599,698		\$ (1,350,000)	\$ (69,433,736)	\$ 18,551,606	\$ (50,882,130)

⁽¹⁾Includes interest on the Gateway Interim Financing.

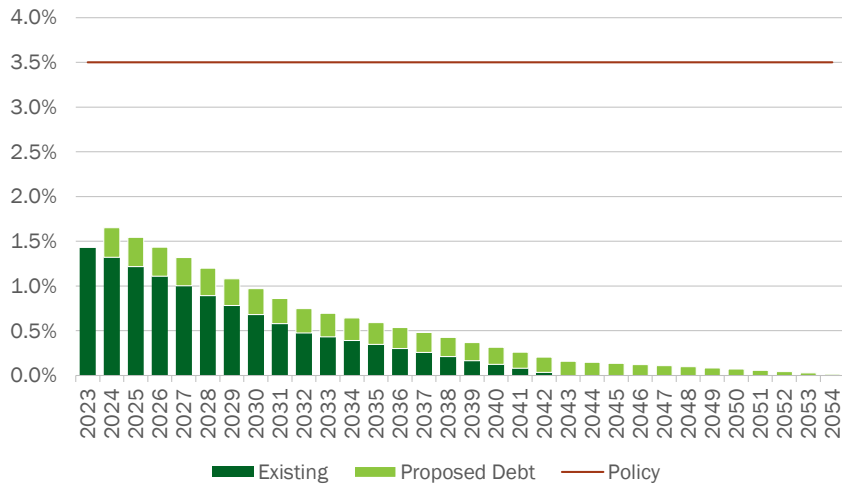
⁽²⁾Includes VPSA Annual Admin Fee of 5bps, or 0.05%.

Key Debt Ratios | Scenario 1

30 Year VPSA Spring Pool Issuance – Level Debt Service

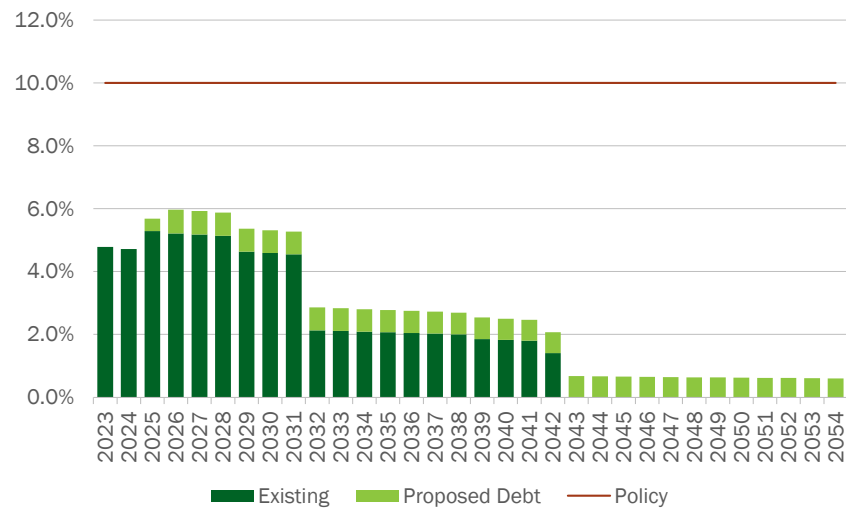


Debt to Assessed Value



- The County would still be in compliance with its Financial Policy regarding a maximum Debt to Assessed Value ratio of 3.5%.

Debt Service vs. Governmental Expenditures



- The County would still be in compliance with its Financial Policy regarding a maximum Debt Service vs. Expenditures ratio of 10.0%.

Appendix B | Scenario 2 Details

New Money Debt Service Results | Scenario 2

25 Year VPSA Spring Pool Issuance – Structured



A	B	C	D	E (B - C + D)	F	G (E + F)
Fiscal Year	Aggregate Existing Debt Service as of 6/30/2023 ⁽¹⁾	FY 2024 Debt Service Budget	Planned Use of Reserves	Current Potential Incremental Need	Scenario 2 Proposed Net Debt Service ⁽¹⁾	Additional Estimated Incremental Need
2024	3,891,218	3,893,014	-	(1,796)	-	(1,796)
2025	4,462,200	3,893,014	(386,898)	182,289	-	182,289
2026	4,455,359	3,893,014	(380,057)	182,289	-	182,289
2027	4,364,526	3,893,014	(289,224)	182,289	-	182,289
2028	4,369,125	3,893,014	(293,823)	182,289	521,305	703,594
2029	3,961,694	3,893,014		68,680	521,305	589,985
2030	3,959,354	3,893,014		66,340	521,305	587,645
2031	3,961,370	3,893,014		68,356	521,305	589,661
2032	1,828,690	3,893,014		(2,064,324)	916,079	(1,148,245)
2033	1,829,421	3,893,014		(2,063,593)	915,121	(1,148,472)
2034	1,824,424	3,893,014		(2,068,590)	918,028	(1,150,563)
2035	1,826,939	3,893,014		(2,066,076)	914,798	(1,151,278)
2036	1,824,404	3,893,014		(2,068,610)	915,431	(1,153,179)
2037	1,827,289	3,893,014		(2,065,725)	914,803	(1,150,923)
2038	1,820,507	3,893,014		(2,072,507)	917,785	(1,154,722)
2039	1,700,396	3,893,014		(2,192,619)	914,379	(1,278,240)
2040	1,689,659	3,893,014		(2,203,356)	914,584	(1,288,772)
2041	1,681,902	3,893,014		(2,211,113)	913,274	(1,297,839)
2042	1,321,224	3,893,014		(2,571,790)	915,323	(1,656,468)
2043	-	3,893,014		(3,893,014)	914,230	(2,978,784)
2044	-	3,893,014		(3,893,014)	915,273	(2,977,742)
2045	-	3,893,014		(3,893,014)	915,100	(2,977,914)
2046	-	3,893,014		(3,893,014)	913,713	(2,979,302)
2047	-	3,893,014		(3,893,014)	915,493	(2,977,521)
2048	-	3,893,014		(3,893,014)	915,319	(2,977,695)
2049	-	3,893,014		(3,893,014)	913,683	(2,979,331)
2050	-	3,893,014		(3,893,014)	-	(3,893,014)
2051	-	3,893,014		(3,893,014)	-	(3,893,014)
2052	-	3,893,014		(3,893,014)	-	(3,893,014)
2053	-	3,893,014		(3,893,014)	-	(3,893,014)
2054	-	3,893,014		(3,893,014)	-	(3,893,014)
Total	\$ 52,599,698		\$ (1,350,000)	\$ (73,265,932)	\$ 18,557,633	\$ (54,708,300)

⁽¹⁾Includes interest on the Gateway Interim Financing.

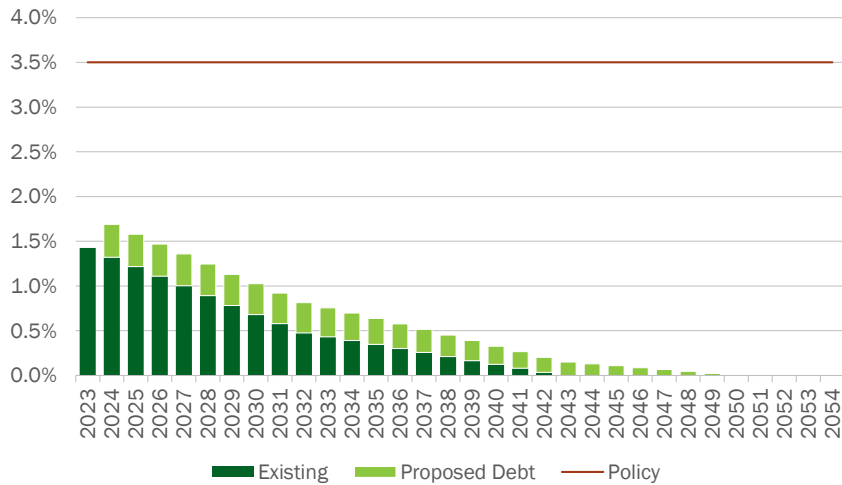
⁽²⁾Includes VPSA Annual Admin Fee of 5bps, or 0.05%.

Key Debt Ratios | Scenario 2

25 Year VPSA Spring Pool Issuance – Structured

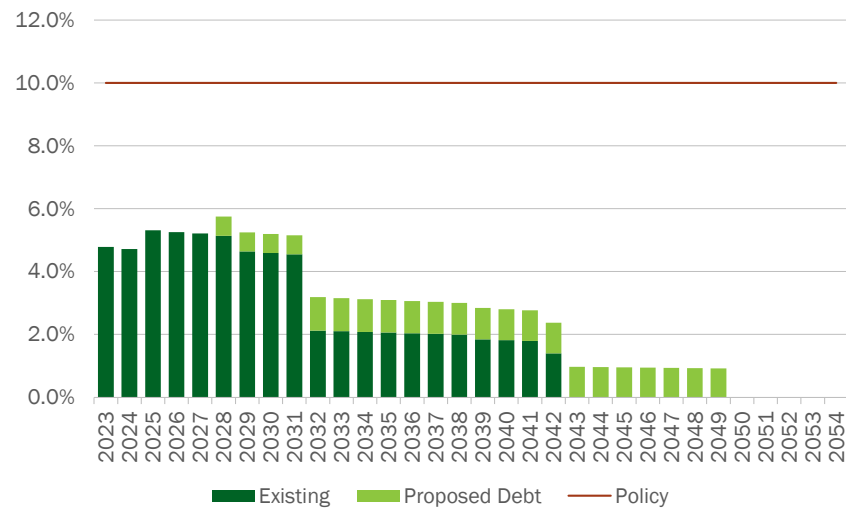


Debt to Assessed Value



- The County would still be in compliance with its Financial Policy regarding a maximum Debt to Assessed Value ratio of 3.5%.

Debt Service vs. Governmental Expenditures



- The County would still be in compliance with its Financial Policy regarding a maximum Debt Service vs. Expenditures ratio of 10.0%.

Municipal Advisor Disclosure



The enclosed information relates to an existing or potential municipal advisor engagement.

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