

Presentation to Albemarle County Board of Supervisors

# Albemarle-Charlottesville Regional Jail Authority: Jail Renovation Project – Plan of Finance Update



June 4, 2025

# Background

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- Davenport & Company (“Davenport”), in our capacity as Financial Advisor to the Albemarle-Charlottesville Regional Jail Authority (the “Authority”), is providing an update to the Two-Part Plan of Finance.
  
- The presentation herein will cover the following topics:
  - Overview of the Jail Funding Process;
  - Review of the Two-Part Plan of Finance;
  - Recommended Funding Approach for the Permanent Financing and Grant Anticipation Note (GAN);
  - A Timetable for the Permanent Financing and GAN; and,
  - The Projected Budgetary/Cashflow Impact to each Member Jurisdiction.



# Jail Funding Process

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- In the Commonwealth of Virginia, regional jails are eligible for a 25% reimbursement of eligible costs for major capital projects.
- After the Authority decided to undertake the project (i.e. the proposed Renovation Project), it was required to undertake a Community Based Corrections Plan and Planning Study in order to develop a cost estimate for reimbursement consideration by the Board of Local and Regional Jails.
- Following approval by the Board of Local and Regional Jails, the request for the 25% reimbursement was forwarded to the General Assembly for approval and inclusion in the Governor's Budget.
  - After approval, the 25% reimbursement was set aside by the Commonwealth and will be made available once the project is complete and a formal request is made by the Authority.
  - A reimbursement of project costs in an amount of \$11,689,250 was included in the Governor's Budget in spring of 2023.
- The Two-Part Plan of Finance is typically undertaken after the Commonwealth's approval of the 25% reimbursement.





# Two-Part Plan of Finance

The Two-Part Plan of Finance is designed to minimize the incurrence of debt and related interest costs until the Authority has received bids for construction and a firm project cost is known.

## Part 1: Interim Financing (2023 BAN)



- The Interim Financing provides only what is necessary to complete preliminary design and engineering costs so the project can be bid.

## Part 2: Permanent Financing/Grant Anticipation Note

- After bids are received and Total Project Costs are known, the Permanent Financing is undertaken to fully fund the Project Costs that are above the Commonwealth reimbursement amount, and permanently finance the interim financing.
- Simultaneously, a Grant Anticipation Note (“GAN”) is undertaken to fund Project Costs in an amount equal to the Commonwealth’s anticipated reimbursement.
  - The GAN would be paid off prior to maturity with funds provided by the Commonwealth’s reimbursement once the project is complete.



# Part 1: Interim Financing – 2023 BAN

- The Authority [closed](#) on the Interim Financing (the “2023 BAN”) in [December of 2023](#).
- The Interim Financing (“2023 BAN”) was structured as a drawdown loan to provide up to \$4.5 million of funding for pre-development costs (architectural, engineering, and other related costs) in order to prepare the Authority for bidding the project.

Borrowing	Amount	Planning Interest Rate	Actual Interest Rate	Term
2023 BAN	Up to \$4.5 million	4.50%	<a href="#">4.49%</a>	18 Months

- The 2023 BAN will be [repaid by the Permanent Financing](#) in Part 2 of the Plan of Finance in the [Summer of 2025](#).



## Part 2: Permanent Financing/GAN – Overview

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- Part 2 of the Plan of Finance consists of the simultaneous undertaking of **two** separate financings (the “2025 Financings”) in the Summer of 2025:
  1. **Grant Anticipation Note** (2025 GAN) – Interim Financing undertaken in an amount equal to the anticipated State Reimbursement.
    - Note: The anticipated reimbursement consists of 25% of the eligible project costs (\$11,689,250), as well as interest costs related to the Commonwealth’s portion between the midpoint of construction and construction completion.
  2. **Permanent Bonds** (2025 Bonds) – Permanent Financing undertaken to fund remaining project costs and permanently finance the 2023 BAN.
- The 2025 GAN will be repaid prior to maturity with grant monies received from the Commonwealth following the completion of construction.
- The 2025 Bonds will be repaid via contributions from the Member Jurisdictions.

# Recommended Financing Approach

## 2025 Permanent Financing (\$36.9 Million)



Direct Bank Loan via RFP	Public Market Issuance – Authority Stand Alone	Public Market Issuance – Virginia Resources Authority
<p>Authority controls schedule and could be completed in 30 to 45 days.</p> <p>Less upfront cost of issuance (“COI”) expense than Public Market Issuance.</p> <p>The size of the issuance could prohibit participation by smaller banks.</p> <p>Unlikely to receive a fixed rate for term lengths longer than 20 years.</p> <p>Typically includes more flexible prepayment terms compared to an issuance in the public market.</p>	<p>The Authority would need to pursue a bond rating(s).</p> <p>Authority controls schedule and could be closed in 45 to 60 days.</p> <p>Can lock in fixed rates for 20 to 30 years.</p> <p>Public Market Rates are very attractive right now and investor participation is strong.</p> <p>10-year call provision.</p> <p>Upfront COI slightly higher than VRA.</p>	<p><b>While VRA controls the schedule, the Summer Pool is expected to close in August, which aligns with the beginning of construction.</b></p> <p>Will lock in fixed rates for up to 30 years.</p> <p><b>Pool Program Rating avg. of “AA+”. No standalone bond rating required, as each member has at least 1.50x debt service coverage on state-aid debt.</b></p> <p>Public Market Rates are very attractive right now and investor participation is strong.</p> <p>Upfront COI lower than Stand-Alone.</p> <p>VRA charges ongoing admin fee semi-annually based upon 0.125% of the outstanding par amount.</p> <p>10-year call provision.</p> <p>VRA could impose Reserve Requirements and may require one or more members to enter into a support agreement.</p>

# Recommended Financing Approach

## 2025 GAN (\$12.1 Million)



### Direct Bank Loan via RFP (Authority Standalone)

Does not require a stand alone credit rating.

Authority controls schedule and could be completed in 30 to 45 days.

Less upfront COI expense

Size of the GAN is more favorable to smaller or mid-sized banks.

Typically includes more flexible prepayment terms compared to an issuance in the public market.

### Direct Bank Loan via RFP (VRA as Conduit Issuer)

VRA offers a program in which it serves as the conduit issuer on a direct bank loan transaction. This would add the state aid enhancement to the security package, which may result in better terms for the Authority.

Does not require a stand alone credit rating.

Authority controls schedule and could be completed in 30 to 45 days.

Slightly higher upfront COI due to VRA's involvement.

Size of the GAN is more favorable to smaller or mid-sized banks.

Typically includes more flexible prepayment terms compared to an issuance in the public market.





# Key Assumptions – 2025 Permanent Financing & GAN

- Approximate amounts for the 2025 Permanent Financing and 2025 GAN are provided in the table below:

Borrowing	Project Costs Borrowed	Planning Interest Rate	Term
2025 GAN	\$12.1 million <sup>(1)</sup>	5.00%	3 Years <i>(Note: May change depending upon the construction timeline)</i>
2025 Bonds	\$36.9 million <sup>(2)</sup>	Current Public Market Tax-Exempt Rates as of April 30, 2025 + 0.50% <sup>(3)</sup> <i>(Est. TIC: 4.97%)</i>	28 Years (3 years interest only; 25 years level debt service)
<u>Total</u>	<u>\$49 million</u>		

- The allocation of debt service to member jurisdictions is based upon the inmate day calculation for FY 2026<sup>(4)</sup>:

Albemarle	44.14%
Charlottesville	39.54%
Nelson	16.32%

(1) GAN Size based upon Commonwealth reimbursement of project costs (\$11.6 million) plus estimated reimbursable interest costs calculated using the interest rate/timing assumptions noted above. Project funding allocation between the GAN and Permanent financing is preliminary and subject to change.

(2) Amount includes permanent financing of 2023 BAN. Assumes full \$4.5 million is taken out.

(3) Preliminary, subject to change.

(4) Provided by Authority Staff.

# Timetable – 2025 Bonds & 2025 GAN



Task	Date
Davenport presents Plan of Finance for the 2025 Bonds and 2025 GAN	March 13, 2025
Davenport & Sands Anderson work with Authority to prepare VRA Application for Summer Pool.	April 2025
Authority issues IFB for Construction of ACRJ Renovation and Addition to Pre-Qualified Contractors.	April 21, 2025
VRA Application Deadline for Summer Pool	May 1, 2025
Construction bids received by Authority.	May 30, 2025
Plan of Finance presented to Member Jurisdictions; Members consider providing authorization for participation in Summer Pool and approval of Not-To-Exceed parameters for 2025 GAN.	June 2 – June 10, 2025
ACRJ holds De-Scoping Meeting with Apparent Low Bidder	June 11, 2025
Authority Board awards construction contract and considers authorization to participate in VRA 2025 Summer Pool.	June 12, 2025
Tentative VRA Local Approval Deadline	By June 13, 2025

# Timetable – 2025 Bonds & 2025 GAN (cont.)



Task	Date
Davenport distributes RFP for 2025 GAN to lending institutions.	June 13, 2025
RFP Responses due to Davenport for 2025 GAN.	July 2, 2025
Davenport presents results of 2025 GAN RFP process to Authority Board; Board approves recommended bank proposal.	July 10, 2025
Davenport calculates GAN final sizing amount ahead of VRA bond sale.	July 15, 2025
VRA Bond Sale	Week of July 21, 2025
Close on 2025 GAN	Week of July 21, 2025
Close on 2025 Bonds	Week of August 4, 2025

# Projected Debt Service & Budgetary/Cashflow Impact



Aggregate Projected Debt Service and Budgetary/Cashflow Impact to Member Jurisdictions							
Fiscal Year	Projected 2025 GAN D.S.	Projected 2025 Bonds D.S.	Projected Total Member Jurisdiction D.S.	Charlottesville D.S. Allocation	Nelson D.S. Allocation	Albemarle D.S. Allocation	
2026	\$ 471,208	\$ 1,390,583	\$ 1,861,791	\$ 736,152	\$ 303,844	\$ 821,794	GAN & Permanent Financing Interest Only Period
2027	612,400	1,889,094	2,501,494	989,091	408,244	1,104,159	
2028	612,400	1,889,094	2,501,494	989,091	408,244	1,104,159	
2029	-	2,629,619	2,629,619	1,039,751	429,154	1,160,714	Long-Term Full Principal & Interest Payments
2030	-	2,629,644	2,629,644	1,039,761	429,158	1,160,725	
2031	-	2,632,491	2,632,491	1,040,887	429,622	1,161,981	
2032	-	2,633,031	2,633,031	1,041,101	429,711	1,162,220	
2033	-	2,631,266	2,631,266	1,040,402	429,423	1,161,441	
2034	-	2,632,066	2,632,066	1,040,719	429,553	1,161,794	
2035	-	2,630,303	2,630,303	1,040,022	429,265	1,161,016	
2036	-	2,630,850	2,630,850	1,040,238	429,355	1,161,257	
2037	-	2,628,578	2,628,578	1,039,340	428,984	1,160,254	
2038	-	2,628,359	2,628,359	1,039,253	428,948	1,160,158	
2039	-	2,629,938	2,629,938	1,039,877	429,206	1,160,854	
2040	-	2,628,184	2,628,184	1,039,184	428,920	1,160,081	
2041	-	2,627,972	2,627,972	1,039,100	428,885	1,159,987	
2042	-	2,631,819	2,631,819	1,040,621	429,513	1,161,685	
2043	-	2,628,888	2,628,888	1,039,462	429,034	1,160,391	
2044	-	2,631,375	2,631,375	1,040,446	429,440	1,161,489	
2045	-	2,628,894	2,628,894	1,039,465	429,035	1,160,394	
2046	-	2,631,144	2,631,144	1,040,354	429,403	1,161,387	
2047	-	2,628,894	2,628,894	1,039,465	429,035	1,160,394	
2048	-	2,631,894	2,631,894	1,040,651	429,525	1,161,718	
2049	-	2,629,894	2,629,894	1,039,860	429,199	1,160,835	
2050	-	2,631,269	2,631,269	1,040,404	429,423	1,161,442	
2051	-	2,630,572	2,630,572	1,040,128	429,309	1,161,134	
2052	-	2,628,853	2,628,853	1,039,449	429,029	1,160,376	
2053	-	2,630,728	2,630,728	1,040,190	429,335	1,161,203	
<b>Total</b>	<b>\$ 1,696,008</b>	<b>\$ 70,925,292</b>	<b>\$ 72,621,300</b>	<b>\$ 28,714,462</b>	<b>\$ 11,851,796</b>	<b>\$ 32,055,042</b>	

Note: Debt service estimates are based upon current market tax-exempt rates as of April 30, 2025 + 0.50%. Preliminary, subject to change. Projected 2025 Bonds debt service includes VRA admin fee. Member Jurisdiction allocations are based on FY 2026 information provided by Authority Staff and are subject to change based upon future jail population (i.e. inmate days). Does not take into account potential interest earnings on the project fund.



# Appendix

# Projected Aggregate Sources & Uses



## 2025 GAN / 2025 Bonds

	2025 GAN	2025 Bonds	Total
<b>Sources</b>			
Par Amount	\$ 12,248,000	\$ 37,355,000	\$ 49,603,000
Premium	-	542,919	542,919
<b>Total Sources</b>	<b>\$ 12,248,000</b>	<b>\$ 37,897,919</b>	<b>\$ 50,145,919</b>
<b>Uses</b>			
Project Fund	\$ 12,148,000	\$ 32,701,620	\$ 44,849,620
2023 BAN Takeout	-	4,500,000	4,500,000
Estimated VRA Costs of Issuance	TBD	206,775	206,775
Estimated Local Costs of Issuance	100,000	300,000	400,000
Estimated Underwriter's Discount	-	186,775	186,775
Add. Proceeds	-	2,749	2,749
<b>Total Uses</b>	<b>\$ 12,248,000</b>	<b>\$ 37,897,919</b>	<b>\$ 50,145,919</b>

Note: Preliminary, subject to change. Actual results may vary from these estimates. All issuance cost figures are estimates. VRA issuance costs represent the Authority's allocation of issuance costs for the Summer Pool and will depend upon the size of the Summer Pool. Estimated Local Cost of Issuance represents costs for the Authority's financial advisor, bond counsel, lender's counsel (GAN only), and contingency amounts. Assumes that the Authority draws the full \$4.5 million on the 2023 BAN prior to takeout.



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