



Albemarle County

Legislation Text

File #: 23-393, **Version:** 1

AGENDA DATE: 9/6/2023

TITLE:

Resolution Authorizing the Issuance of Bond Anticipation Note and Bond Issuance

SUBJECT/PROPOSAL/REQUEST: Approve a financing plan with the Economic Development Authority of Albemarle County to finance certain School and General Government improvements, including acquisition of the Rivanna Station Futures property.

ITEM TYPE: Regular Information Item

STAFF CONTACT(S): Richardson, Rosenberg, DeLoria, Sumner, Bowman, Greene, Taylor, Mitchell

PRESENTER (S): Jacob Sumner, Interim CFO and Davenport & Co., Financial Advisors

LEGAL REVIEW: Yes

REVIEWED BY: Jeffrey B. Richardson

BACKGROUND: The County's adopted Capital Improvements Plan (CIP) is primarily funded with revenues from borrowed proceeds, which are applied to projects that are eligible to be funded with this revenue. As the CIP is implemented and expenditures are incurred, the County issues bonds to fund the CIP, as authorized by resolutions approved by the Board of Supervisors. For example, between 2010 and 2022, the County undertook seven revenue bond financings through the Economic Development Authority (EDA) and used the proceeds either for reimbursing the County or for refinancing existing bonds at lower rates. Issuances are completed within the framework of the Board's approved Financial Management Policies that are published in the County's Adopted Budget document.

The County seeks to utilize this financing structure to request the EDA to issue a) new tax-exempt revenue bonds (Revenue Bonds) for capital projects not to exceed \$118 million, including cost of issuance, and b) taxable bond anticipation notes (Notes) for the acquisition of the Rivanna Station Futures property not to exceed \$60 million, including cost of issuance.

STRATEGIC PLAN: Mission - To enhance the well-being and quality of life for all community members through the provision of the highest level of public service consistent with the prudent use of public funds.

DISCUSSION: The proposed plan of financing is comprised of the following:

- a) Revenue Bonds for capital projects not to exceed \$118 million, including cost of issuance: This amount would reimburse the County for approximately \$40.2 million in expenditures already expended. It will also fund approximately \$77.8 million in capital expenditures that are currently appropriated and anticipated to occur through June 30, 2026. This combination of reimbursing the County for prior expenditures and issuing bonds for currently appropriated projects that will soon be expended is recommended so that the County can cost-effectively borrow for future expenditures and more effectively manage its cash flows.

- b) Notes for the acquisition of the Rivanna Station Futures property not to exceed \$60.0 million, including cost of issuance: The County's acquisition of the Rivanna Station Futures property, which was approved by the Board on May 24, 2023, and reaffirmed on June 21, 2023, is proposed to be reimbursed with proceeds of the Notes. The final maturity of these Notes is planned to be within approximately five years of issuance and, due to the nature of the use, the Notes will be issued on a taxable basis. The plan is to permanently finance the acquisition before the Notes' final maturity. The five-year period gives the County flexibility to determine final plans, which could include securing additional funding or consummating partial sale(s), which would lower the permanent funding amount.

Based on the County's triple-AAA credit ratings, it is expected that the debt would be issued with credit ratings in the high 'AA' category, given the appropriation structure of the financing.

The resolution necessary for the Board's approval to advance this borrowing plan is attached (Attachment A). If the Board adopts the resolution, then:

- On September 19, 2023, the County's Financial Advisors, Davenport & Company LLC, will present an overview of the proposed plan of finance to the EDA, which is authorized under state law to assist the County in financing local government facilities and equipment, and will request the EDA to adopt a resolution authorizing the issuance of the Revenue Bonds and the Notes. If the EDA adopts such a resolution, the EDA will serve as the conduit issuer for such debt.
- Upon such adoption, the EDA will issue debt through two public sales for items a) and b) above, as previously described.
- The EDA would then loan the proceeds to the County. The Revenue Bonds and the Notes will be secured under a master trust agreement and master financing agreement structure, based on documents prepared by Hunton Andrews Kurth LLP, the County's Bond Counsel. The security for the Revenue Bonds and the Notes will be the County's promise, subject to appropriation, to make payments to the EDA to enable it to make debt service payments associated with this debt issuance.

A draft Preliminary Official Statement (POS), which is the offering document to the capital market, and drafts of the related supplemental agreements to the master trust agreement and the master financing agreement are all attached (Attachments B, C, and D), respectively, and available for Board review in the Clerk's Office.

BUDGET IMPACT: The debt payments in total associated with this issuance are anticipated to be similar to or less than the amount budgeted for debt service and the Economic Development Funding for Public-Private Partnerships program in the County's Adopted FY 24 - 28 CIP. This financing adheres to the following County Debt Management Policies, such as:

- *Recognizing the importance of long-term financial obligations, including total tax-supported debt, lease, and financing payments, to its overall financial condition, the County will set target debt ratios, which will be calculated annually and published as part of the budget and bond issuance processes:*
 - *Total long-term obligations as a percentage of the estimated market value of taxable property should not exceed 2%; and*
 - *The ratio of debt service expenditures to General Fund and School Fund revenues, less General Fund transfers to the School Fund, should not exceed 10%.*

Under the proposed financing plan, the County is projected to be below the financial policy goal where "*the County intends to maintain a 10-year payout ratio at or above 60% at the end of each adopted five-year Capital Improvement Plan for tax-supported debt and lease payments.*" Considering this policy is a goal and not a requirement, and the County's intention to join with financial partners who will financially support the Rivanna Station Futures project, the County's financial advisors determined that the proposed financing plan is not out of compliance with County policy requirements or best practices.

RECOMMENDATION:

Staff recommends that the Board adopt the attached Resolution (Attachment A) authorizing the proposed plan of financing through the EDA.

ATTACHMENTS:

- A - Resolution
- B - Draft Preliminary Official Statement
- C - Eighth Supplemental Agreement of Trust
- D - Seventh Supplemental Financing Agreement