



Albemarle County

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Attachments: 1. Att.A - Summary of Master Financing Agreement Structure, 2. Att.B - Resolution

Date	Ver.	Action By	Action	Result
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AGENDA DATE: 5/19/2021

TITLE:
Albemarle County Debt Financing - 2021

SUBJECT/PROPOSAL/REQUEST: Authorize the County to issue Revenue Bonds via the Economic Development Authority of Albemarle County to refinance existing bonds and finance certain School and General Government improvements

ITEM TYPE: Regular Action Item

STAFF CONTACT(S): Richardson, Kamptner, Birch, Greene, Allshouse, Bowman, Mitchell

PRESENTER (S): Nelsie Birch, CFO and Davenport & Co., Financial Advisors

LEGAL REVIEW: Yes

REVIEWED BY: Jeffrey B. Richardson

BACKGROUND: Beginning in Fiscal Year 2009 (FY 09), the County had a practice of issuing debt on an every-other-year basis, using its cash as an interim/temporary source of funding until such time as the next debt was issued. As authorized by the annually adopted reimbursement resolutions, the County reimburses itself from bond proceeds. Between 2010 and 2017, the County issued five Revenue Bonds through the EDA. The County also issued a \$30.5 million General Obligation Bond for school projects based on a referendum in FY 17.

In June 2020, the County modified its practice by securing a line of credit to be used, if needed, to temporarily provide funding to meet timing requirements that may occur between debt issuances. According to the County's Financial Advisors, this is a practice being used more and more by local governments because of the uncertainty regarding the timing of when capital projects, which have previously been authorized, are ready to proceed. Too often the funding takes place and the capital funds are left unused, sometimes for extended periods while the project ramp-up takes place, and under current market conditions, the unused funds are invested at rates much lower than the rate of borrowing. To date, the County has not utilized the line of credit

to issue short-term debt in large part due to the pandemic and the slowdown of capital projects.

At this time, the County has the opportunity to lock in advantageous long-term interest rates to both refinance existing bonds at lower rates and to issue new debt for project costs already expended or are on track to be expended in Fiscal Year 2022, with anticipated interest rates lower than modeled for budgetary purposes. Going forward, the County anticipates resuming its practice of issuing debt on an every-other-year basis.

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: Staff recommends the Board approve the issuance of new revenue bonds for capital projects not to exceed \$67.5 million and the refinancing of existing bonds at lower interest rates not to exceed \$42.5 million. These amounts include costs of issuance for a total issuance that would not exceed \$110 million.

The \$67.5 million in new revenue bonds, inclusive of cost of issuance, would reimburse the County for approximately \$40.2 million in expenditures it has cash funded in anticipation of a future reimbursement and will fund approximately \$25.4 million in additional capital expenditures anticipated to occur through December 31, 2021.

If the County determines that some of the project expenditures have the potential to be funded by the American Rescue Plan Act of 2021 ("ARPA") the amount of the actual issuance may be reduced. The ARPA guidance is anticipated to be released by the Federal Treasury on or about May 10, 2021.

The refinancing potential includes all or a portion of the outstanding Public Facility Revenue and Refunding Bonds (Albemarle County Project), Series 2011 (the "2011 Bonds"), Public Facility Revenue Bonds (Albemarle County Project), Series 2013 (the "2013 Bonds"), and Lease Revenue Bond (Albemarle County School Projects), Series 2015 (the "2015 Bond"). The total refinancing bonds is not to exceed \$42.5 million. Preliminary savings estimates from the refinancing are expected to exceed \$1.25 million spread over the remaining life of each issue, assuming all of the bonds are refinanced.

On May 18, 2021, the County's Financial Advisors, Davenport & Company, will present an overview of the proposed plan of revenue bond financing to the Economic Development Authority of Albemarle County, Virginia (EDA), which is authorized under State law to assist the County in financing local government facilities and equipment and will request an approval of an associated Resolution. If the EDA approves the Resolution presented to them on May 18, it will serve as the conduit issuer.

If the Board approves the Resolution (Attachment B), the EDA would issue debt through a Public Sale in a principal amount not to exceed \$110 million (total of the refinancing and new money) to refinance outstanding bonds, finance project costs and cost of issuance and would loan the proceeds to the County. The EDA Bonds will be secured under a master trust agreement and master financing agreement structure described in Attachment A, prepared by Hunton Andrews Kurth LLP, the County's Bond Counsel. The security for the EDA Bonds 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 Bond offering document to the capital market, is available for Board and public review in the Board Clerk's Office.

Based on the County's excellent triple-AAA credit ratings, and without the security of offering additional leased collateral (unless recommended by the financial advisor), 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 B).

BUDGET IMPACT: Interest rates at the time of preparing this Executive Summary are at favorably low levels. The County is expected to realize budgeted debt service savings due to the refinancing of existing debt and conservative interest rate assumptions on the new debt. The debt payments associated with this issuance are anticipated to be similar to or less than the amount budgeted for County debt service in FY 22. This financing adheres to the County's financial policies regarding debt limits, debt capacity, debt affordability, and debt repayment standards.

RECOMMENDATION:

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

ATTACHMENTS:

A - Summary of Master Financing Agreement Structure

B - Resolution