

A G E N D A

JAMES CITY COUNTY BOARD OF SUPERVISORS

WORK SESSION

County Government Center Board Room

August 10, 2004

5:00 P.M.

-
- A. CALL TO ORDER**
 - B. ROLL CALL**
 - C. BOARD DISCUSSION**
 - 1. Capital Project Funding Options
 - D. RECESS**

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MEMORANDUM

DATE: August 10, 2004
TO: The Board of Supervisors
FROM: John E. McDonald, Manager, Financial and Management Services
SUBJECT: Capital Project Funding Options

We have asked David Rose and Courtney Rogers of Davenport & Co., the County's financial advisors, and Steve Johnson of Trautman Saunders, bond counsel, to make a presentation on financing options for several capital projects. The presentation will focus on alternatives, credit concepts, issuer options, lender requirements, and potential obstacles relating to financing.

The projects to be included include:

- New High School;
- Heritage Humane Society building;
- Student Services Building;
- TNCC site and off-site improvements;
- Sports Stadium;
- Performing Arts Center; and
- Purchase of Development Rights and/or Greenspace.

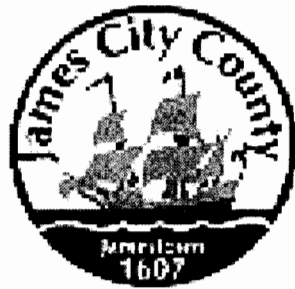
With a general obligation financing or a financing that allows the lender an unrestricted deed of trust, the financings are relatively easy. Financings that cannot commit the full faith and credit of the County or that do not result in a deed of trust require a different approach. This presentation includes projects the Board has not yet formally agreed to consider. Including them is not meant to assume a specific Board decision.

John E. McDonald

JEM/adw
capfundpres.mem

Attachment

*Presentation to
James City County, Virginia*



Capital Project Funding Options

August 10, 2004

Davenport & Company LLC



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Goals and Objectives

- Review the Funding Options Available to James City County
- Review the Proposed Projects and Timing
- Review Projects with regard to:
 - Potential Security Type
 - Issues to Resolve



Capital Funding Options

Type of Security

- General Obligation Bonds “G.O.”
- County Appropriation/Lease Revenue Bonds

Issuer of the Security

- James City County
 - Virginia Public School Authority “VPSA” (Schools Only)
 - Literary Loans (Schools Only)
 - Virginia Resources Authority “VRA”
 - VML/VACo
- Economic Development Authority of James City County

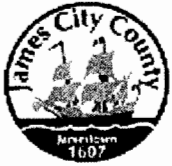
Manner of Sale

- Public Sale
- Private Placement – Bank Loan



General Obligation Bonds

- Full Faith and Credit of locality.
- Requires voter approval via County-wide referendum.
- Most advantageous borrowing rates.
- County has considerable structural flexibility.
- Issue Bonds at any time.



County Appropriation/Lease Revenue Bonds

- County controlled issuance using the Economic Development Authority (“EDA”) as legal/borrowing conduit for Lease Revenue Bonds.
- Does not require voter referendum.
- County has maximum structuring flexibility.
- Annual appropriation of the locality; enjoys widespread market acceptance.
- Bonds can be issued at any time.
- Potentially a lien on the facilities can be built used as collateral.
- Generally trades one notch off County General Obligation Ratings of Aa3/AA (i.e. A1/AA-). With Bond Insurance can equal VPSA rates.



- State program providing market rate loans.
- Full Faith and Credit of locality.
- Does not require voter referendum.
- Special rules apply if the school project was defeated at a referendum.
- Limited flexibility in cash flow structuring.
- Both School and County Board approvals are needed.
- Sale Dates only twice a year (usually April and October).
- Fee of 10 basis points added to the interest rate and payable to the State.
- Currently carries ratings of Aa1/AA+.



Literary Loans

- State program available to all localities.
- \$20 million maximum outstanding; \$7.5 million maximum per project.
- James City County's interest rate set by the Composite Index would be 5%.
- Principal is paid back level over 20 years or less.
- Timing of funding usually requires locality to obtain Interim Financing for up to 3 or 4 years.
- No referendum required.
- Both School and County Board approvals are needed.

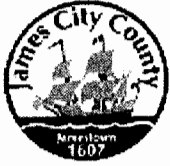


- State program providing market rate loans.
- Security could be Full Faith and Credit, System Revenues, or Lease/Moral Obligation.
- Referendum required for Full Faith and Credit.
- Limited flexibility in cash flow structuring.
- Sale Dates only twice a year (currently May and November).
- Fee of 10 basis points added to the interest rate and payable to the Authority.
- Current program is 70% Aaa/AAA and 30% Aa/AA.
- Limited to lending funds for the following projects: water, wastewater, solid waste, airports, public safety, and petroleum storage tanks.



Projects to be Analyzed

<u><i>Projects</i></u>	<u><i>Estimated Funding Required</i></u>	<u><i>Funding Needed</i></u>
<i>Heritage Humane Society</i>	\$2,200,000	Summer 2005
<i>Student Services Building</i>	\$3,800,000	January 2005
<i>High School</i>	\$39,820,000	Summer 2005
<i>TNCC site and offsite improvements</i>	7,000,000	Summer 2005
<i>Sports Stadium</i>	6,000,000	March 2005
<i>Performing Arts Center ("PAC")</i>	3,500,000	Summer 2005
<i>PDR/Acquisition of Green space</i>	\$16,000,000	Varies



Heritage Humane Society

- 501(c)(3) Bonds through the Economic Development Authority of James City County, Virginia
- Private Placement with Bank
- Direct Loan from EDA to Heritage Humane Society; Expected Leasehold Interest in the Building along with Moral Obligation of County to be Required
- Possible Variable Rate financing needed due to Capital Campaign
- Ground Lease between City of Williamsburg (as owners of the property) and the Heritage Humane Society which would extend past the term of the loan
- York County Board of Supervisors Approval Required (due to facility location)



Student Services Building

- VPSA (General Obligation) vs. Private Placement (Appropriation Financing)
- Interim Construction Financing or Lease Revenue Issue with Bank
- Interim Loan Taken out Long-Term with either:
 - VPSA Spring 2005 Issue; or
 - Combined with other projects in a Lease Revenue Issue



High School/Off-Site Improvements/Stadium/PAC

- High School
 - If Referendum Passes – Utilize General Obligation Bonds
 - If Referendum Fails – Other Options are Available for Financing Project
- TNCC site and off-site improvements/Stadium/PAC
 - Non-General Obligation (i.e. Appropriation Financing)
 - Private vs. Public Sale
 - Collateral Required
 - Title to Collateral Transferred to EDA
 - Potential Collateral: Stadium and Warhill Sports Complex
 - Public Use Issue: Performing Arts Center
 - Essentiality of the Projects



Purchase of Development Rights/Green Space

- Appropriation Financing
- Private Placement
- Potentially an unused facility charge for portion of Line of Credit not drawn
- Variable Rate: Ability to Fix Interest Rate for the long term at a later date
- Leverage of 1¢ on Tax Rate