



Mathews County, Virginia

Comprehensive Financial Review



March 21, 2024



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A. Introduction/Goals & Objectives

Mathews County, Virginia



Introduction

- Davenport, in our role as Financial Advisor to Mathews County (the “County”), was asked to update the Comprehensive Financial Review from FY 2022 to incorporate the County’s FY 2022 and FY 2023 financial results.
- At this time, the County is in the beginning stages for a series of upcoming capital projects for the General Fund that include, amongst others, a Fire Station, dredging, infrastructure/facilities improvements, and general repairs/maintenance.
- As further described on the following page, the over-arching goal of the discussion presented herein is to identify strategies to maintain and enhance the financial strength and stability of the General Fund, while also funding the County’s important capital needs in a sustainable and financially responsible manner.



Goals and Objectives

- As part of the discussion presented herein, Davenport intends to accomplish the following:
 - Review historical trends in General Fund revenues and expenditures;
 - Review and recommend additions/enhancements to the County’s Financial Policies to be formally recommended for adoption at a later date;
 - Provide a Peer Comparative Analysis of key financial and demographic metrics between the County and similar localities;
 - Present a preliminary funding strategy for immediate CIP needs and evaluate the County’s ability to fund its identified future capital needs in a financially responsible manner through debt capacity and affordability analysis;
 - Evaluate and analyze additional School Capital Funding capacity through leveraging a potential new revenue source; and
 - Outline a time table/next steps.



B. Peer Comparison / Demographic Profile

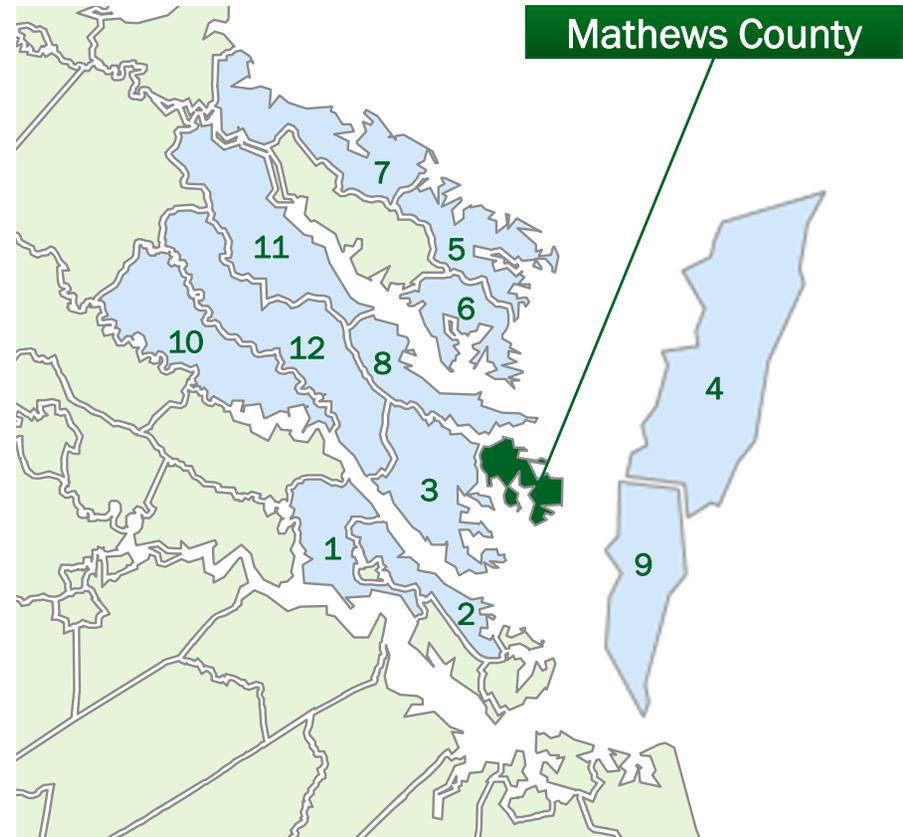
Mathews County, Virginia



Peer Comparatives Group Overview

- In the map below, Davenport identified a regional peer group (light blue shade) for Mathews County.
- Additionally, Davenport has compared the County to both “Aa” rated National and Virginia Counties, for economic and demographic metrics.

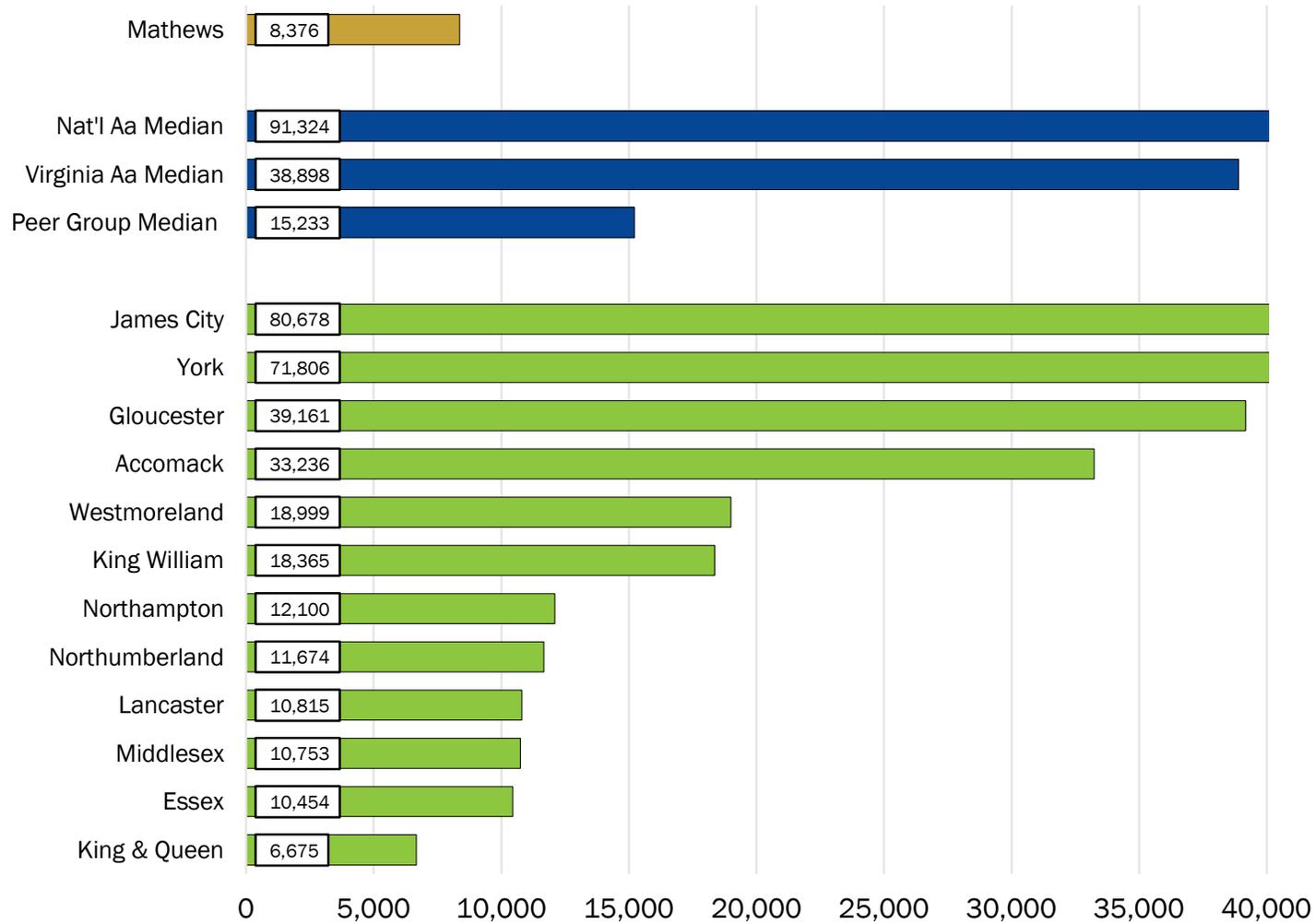
	County
1	James City
2	York
3	Gloucester
4	Accomack
5	Northumberland
6	Lancaster
7	Westmoreland
8	Middlesex
9	Northampton
10	King William
11	Essex
12	King & Queen



Peer Comparative – Population



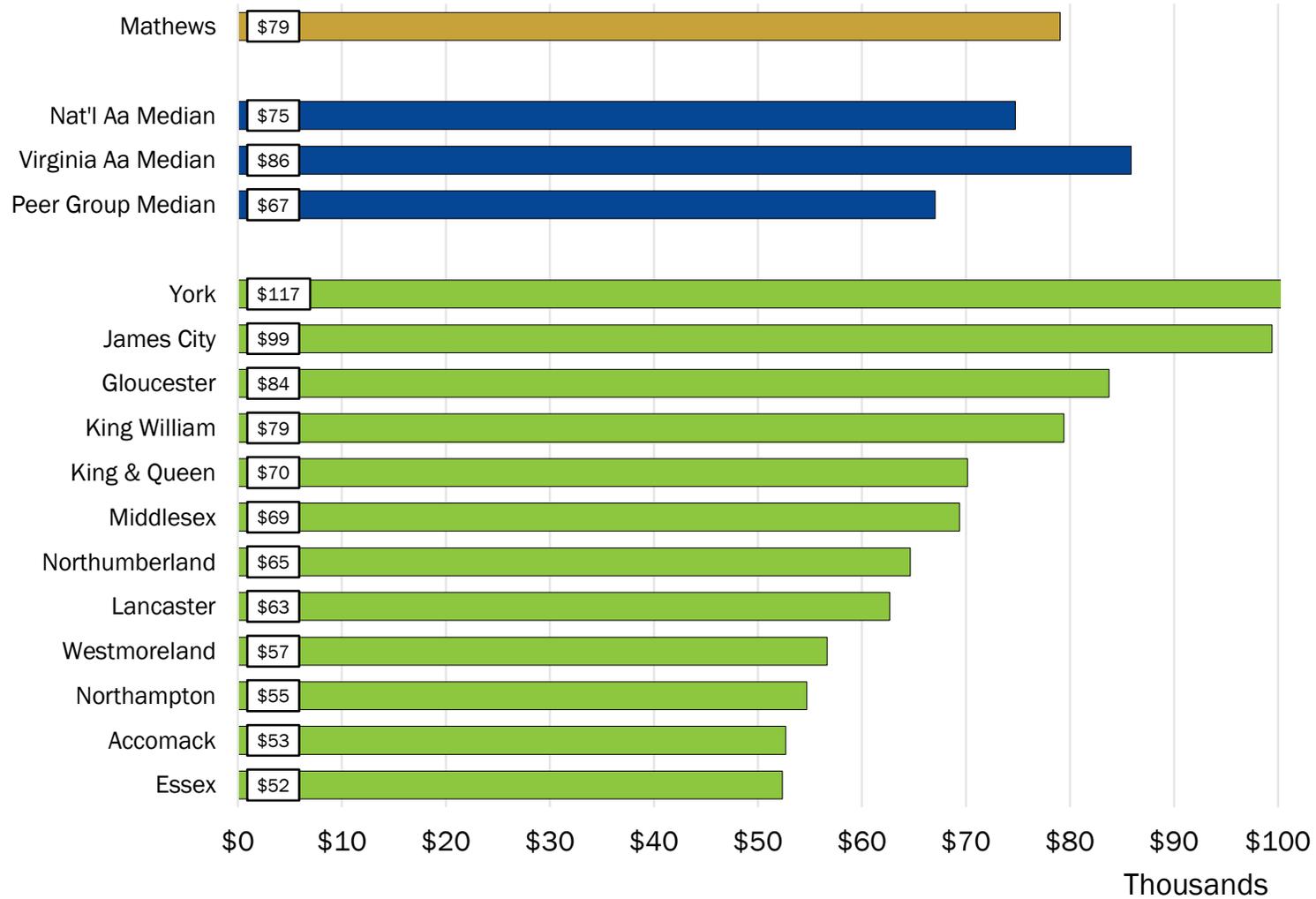
Population



Peer Comparative – Median Household Income



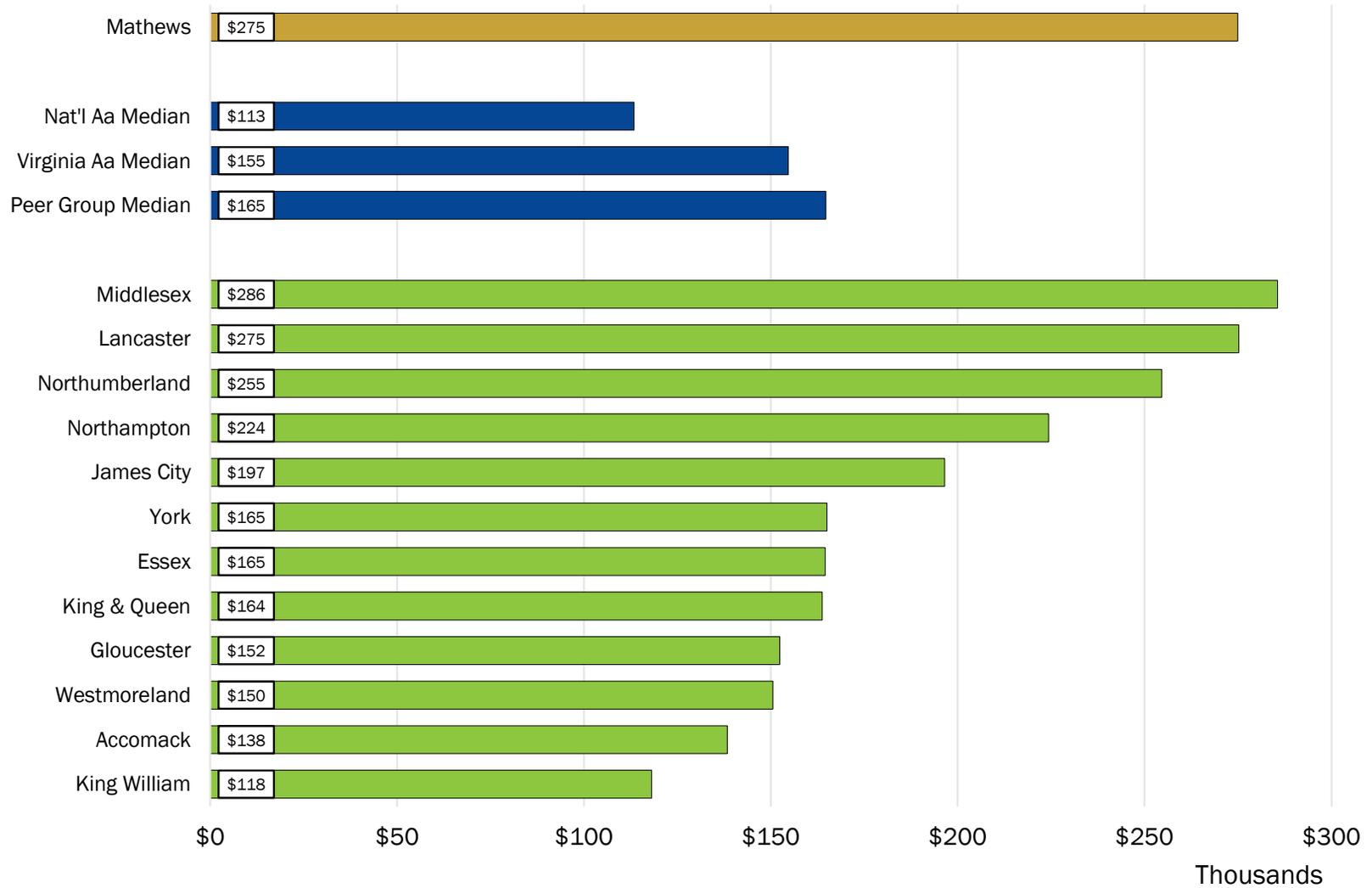
Median Household Income



Peer Comparative – Assessed Value Per Capita



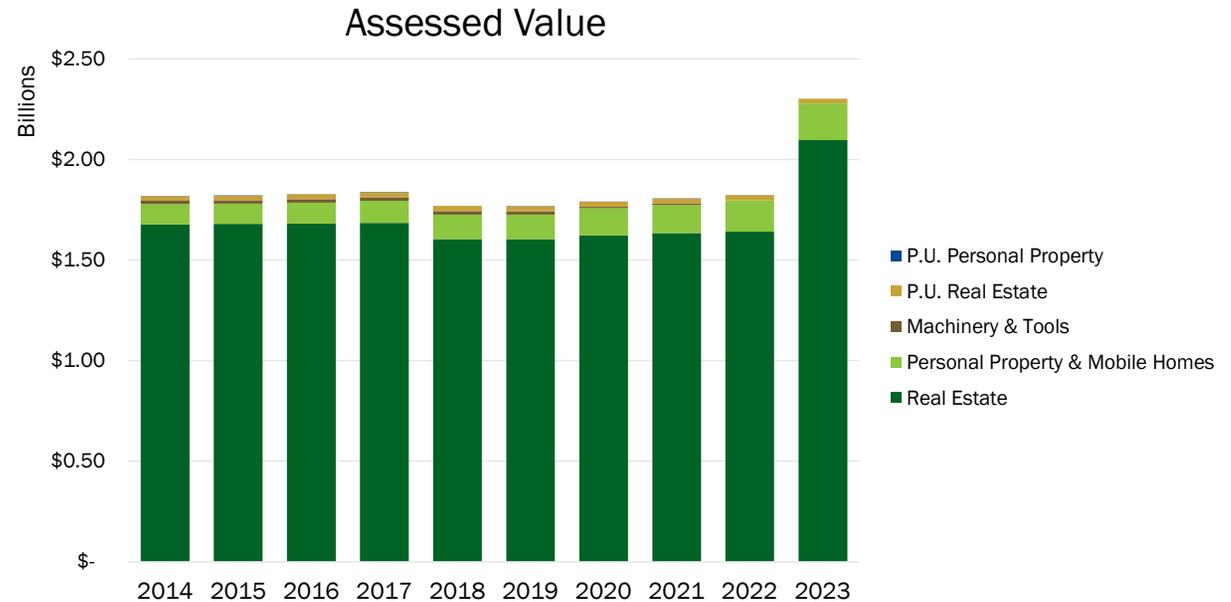
Assessed Value Per Capita





Assessed Value – Historical Trends

- The most recent reassessment took affect January 1, 2023.
- FY 2024 will be the first full year of Real Estate Taxes reflecting the reassessment.



Assessed Value of Taxable Property									
FY	Real Estate	Personal Property & Mobile Homes	Machinery & Tools	Public Utility		Total	% Growth		
				Real Estate	Personal Property				
2014	\$ 1,676,588,104	\$ 101,579,544	\$ 15,856,646	\$ 22,828,636	\$ 5,216	\$ 1,816,858,146	n/a		
2015	1,679,904,453	100,052,698	17,021,474	23,494,058	18,398	1,820,491,081	0.20%		
2016	1,681,478,871	103,965,707	17,435,500	24,090,612	1,751	1,826,972,441	0.36%		
2017	1,684,324,064	110,215,374	18,267,027	24,090,612	1,751	1,836,898,828	0.54%		
2018	1,603,915,978	121,572,095	17,455,495	26,187,429	-	1,769,130,997	-3.69%		
2019	1,603,508,419	121,572,095	17,455,495	24,266,079	16,228	1,766,818,316	-0.13%		
2020	1,621,564,084	136,344,003	7,058,540	24,571,965	15,871	1,789,554,463	1.29%		
2021	1,634,048,853	140,690,570	6,376,620	24,248,498	1,003	1,805,365,544	0.88%		
2022	1,640,239,986	156,895,394	-	24,248,498	1,014	1,821,384,892	0.89%		
2023	2,096,210,830	182,344,538	-	23,867,387	-	2,302,422,755	26.41%		
5-Year CAGR	6.93%	10.67%	n/a	-0.41%	n/a	6.84%			
10 Year CAGR	2.51%	6.72%	n/a	0.50%	n/a	2.67%			



Real Estate Tax Rates

- The County has historically incrementally increased its Real Estate Tax Rate.
- In FY 2022 the County decreased its real estate tax rate for the first time in the last decade, and decreased it again in FY 2023 by 8¢.

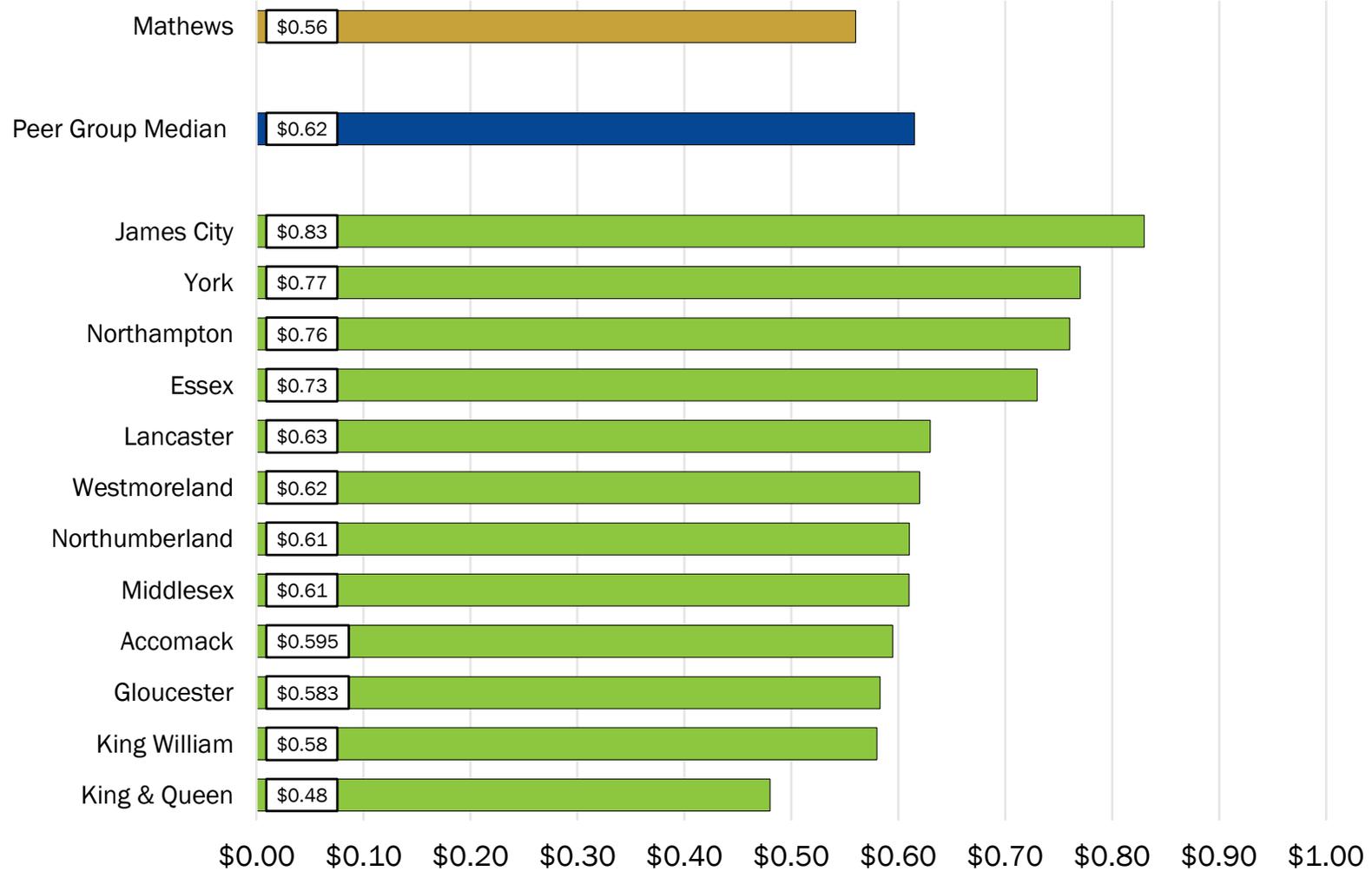
Fiscal Year	Real Estate Tax Rate
2013	\$0.470
2014	0.540
2015	0.540
2016	0.540
2017	0.575
2018	0.575
2019	0.645
2020	0.645
2021	0.645
2022	0.640
2023	0.560



Peer Comparative – Real Estate Tax Rate



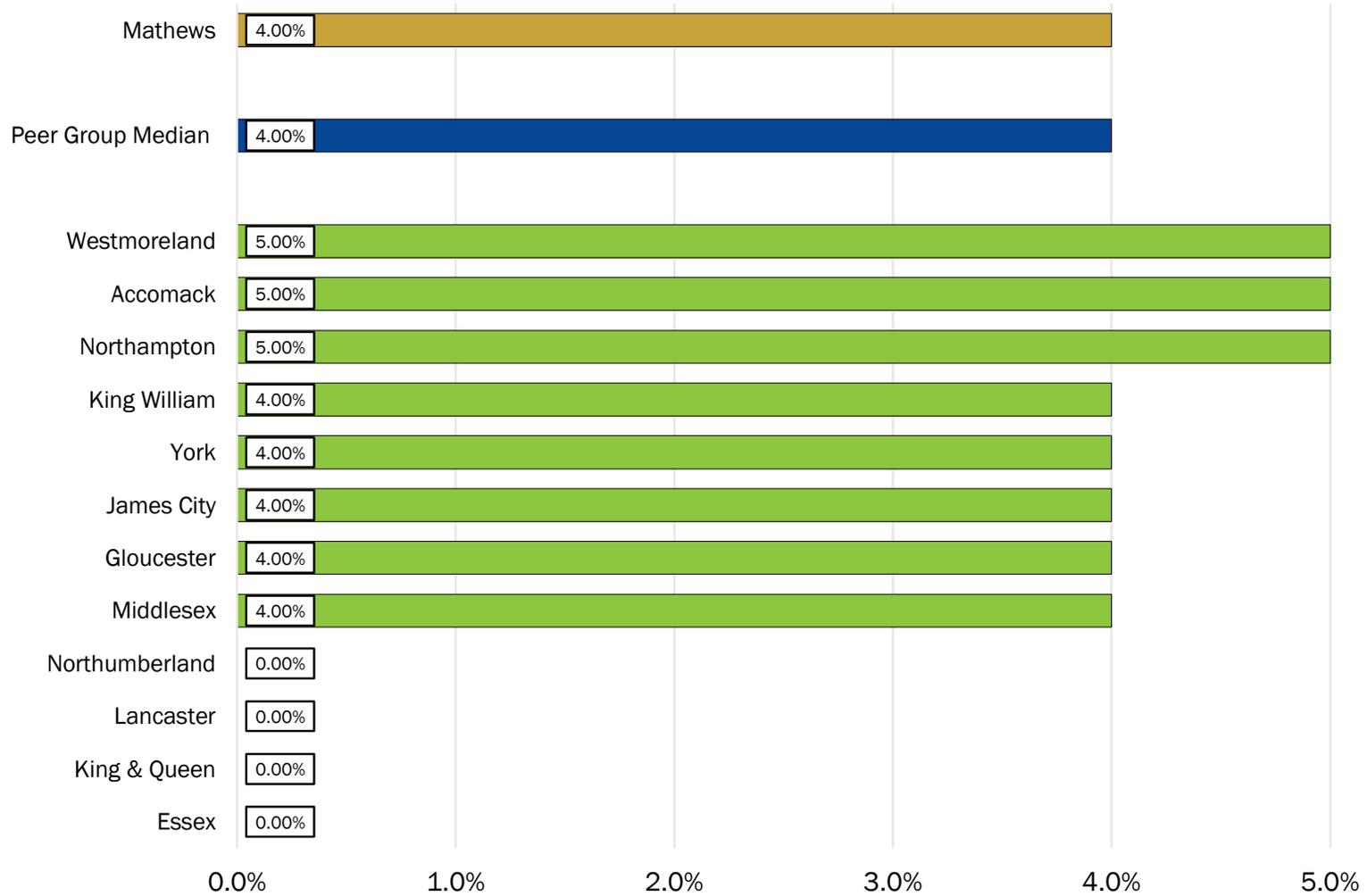
Real Estate Tax Rate



Peer Comparative – Meals Tax Rate



Meals Tax Rate





C. Historical General Fund Financials

Mathews County, Virginia

Overview



- As is shown on the following page, the County’s General Fund has produced an annual surplus in 3 of the past 5 fiscal years (FY2019 – FY2023).

- Currently, the County’s General Fund Unassigned Fund Balance is in solid shape when compared to Governmental Expenditures (i.e. roughly 20% in FY 2023).

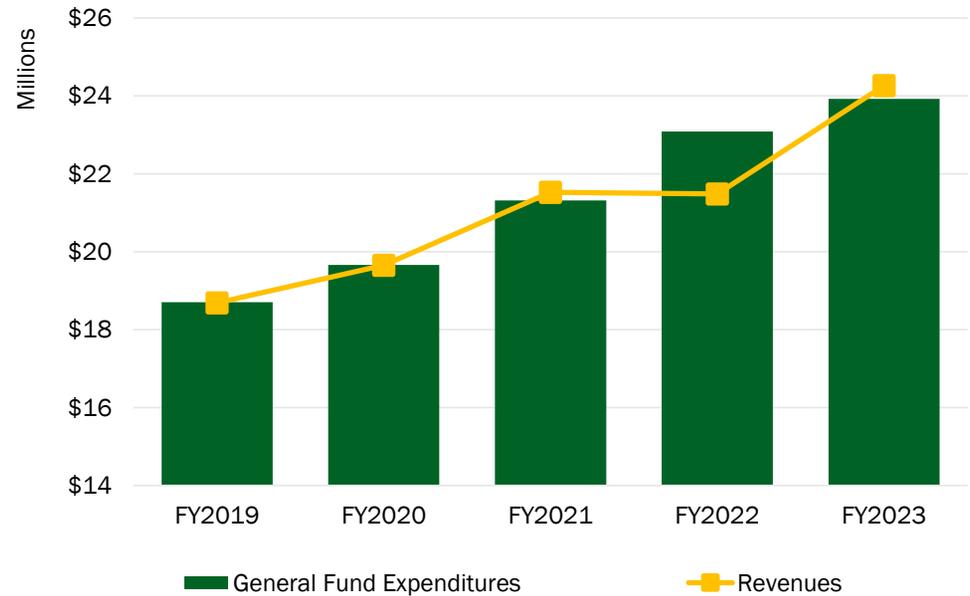
- The County’s FY 2024 Budget is structurally balanced (i.e. recurring revenues cover recurring expenditures).

Historical Financials



- While the County has produced a surplus in 3 of the 5 past years, the surpluses have been impacted by substantial one-time federal CARES Act/ARPA funds.
- The majority of the FY 2023 surplus was derived from a transfer in from Meals Tax Fund Balance to fund capital projects.

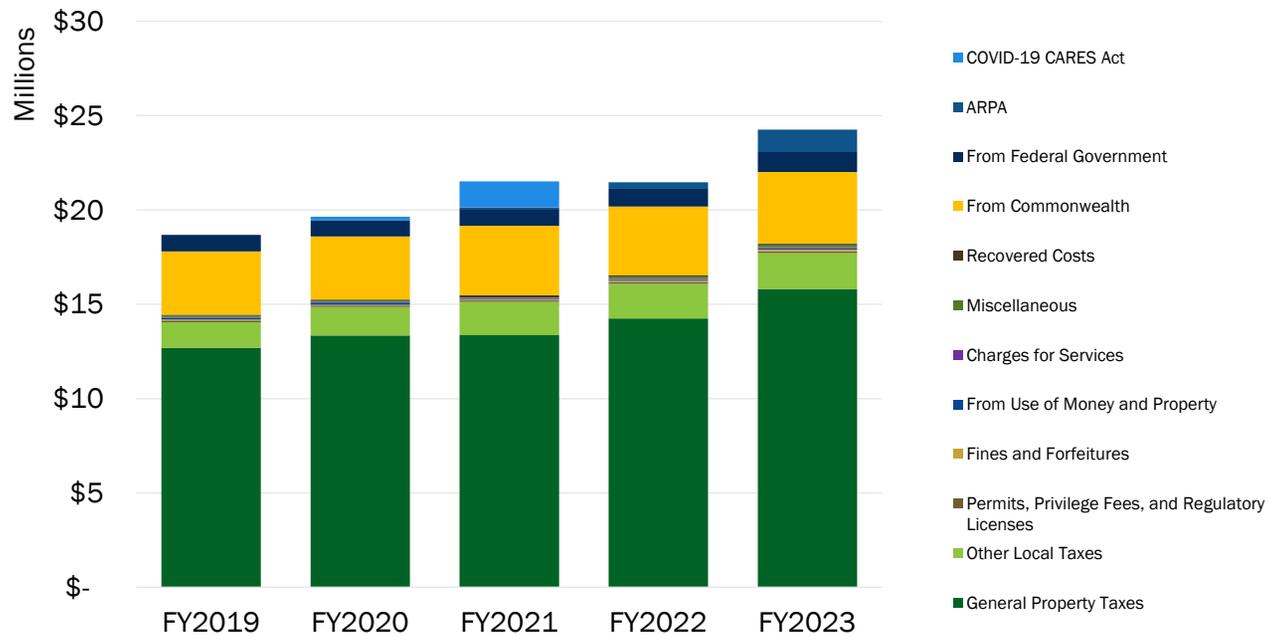
Historical Operating Performance



	FY2019	FY2020	FY2021	FY2022	FY2023	5 Year CAGR
General Fund Revenues	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089	\$ 21,484,418	\$ 24,260,206	6.74%
General Fund Expenditures	(18,705,293)	(19,661,956)	(21,318,485)	(23,086,092)	(23,921,312)	6.34%
Transfers In	3,593	88,565	146,091	130,000	744,462	n/a
Transfers Out	(17,992)	-	-	(217,472)	(15,508)	-3.65%
Other Financing Sources	-	-	-	1,456,908	79,400	n/a
Net Change in Fund Balance	\$ (33,909)	\$ 76,120	\$ 352,695	\$ (232,238)	\$ 1,147,248	



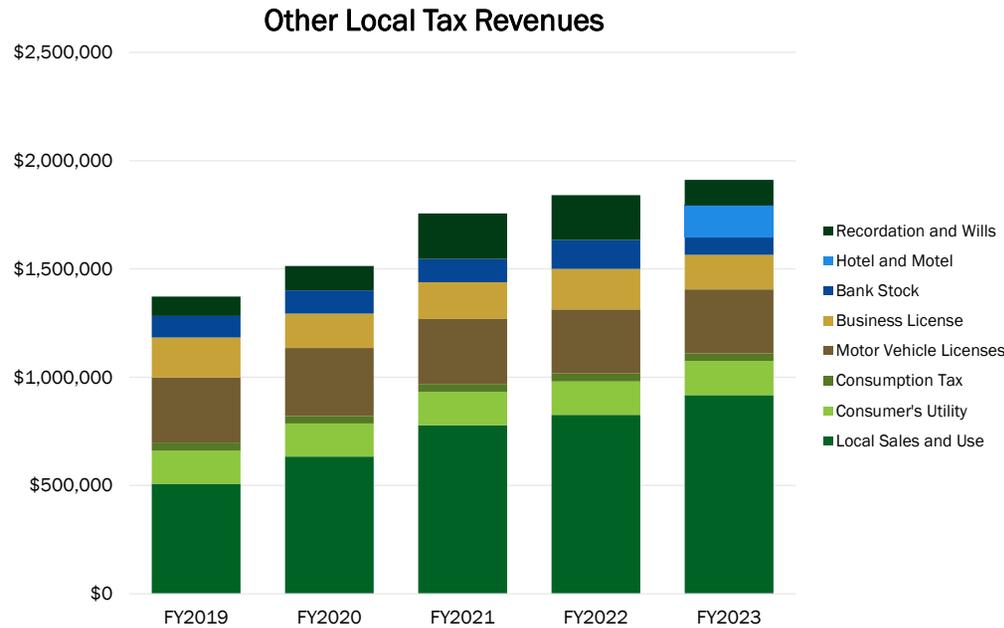
General Fund Revenues – Historical Results



General Fund	FY2019	FY2020	FY2021	FY2022	FY2023	5 Year CAGR
Revenues						
General Property Taxes	\$ 12,687,041	\$ 13,351,262	\$ 13,376,538	\$ 14,248,446	\$ 15,817,489	5.7%
Other Local Taxes	1,372,877	1,513,470	1,756,247	1,840,119	1,910,735	8.6%
Permits, Privilege Fees, and Regulatory Licenses	87,209	73,570	76,096	83,157	90,699	1.0%
Fines and Forfeitures	54,428	42,535	45,618	68,729	86,785	12.4%
From Use of Money and Property	84,889	116,903	50,209	48,505	72,828	-3.8%
Charges for Services	45,403	42,515	39,244	52,367	55,434	5.1%
Miscellaneous	104,370	84,857	22,707	123,158	139,734	7.6%
Recovered Costs	18,574	36,902	124,391	71,001	54,933	31.1%
Intergovernmental:						
From Commonwealth	3,346,123	3,340,279	3,676,140	3,651,542	3,786,966	3.1%
From Federal Government	884,869	854,028	892,394	934,297	1,056,554	4.5%
ARPA	-	-	80,013	352,181	1,188,049	N/A
COVID-19 CARES Act	-	193,190	1,385,492	10,916	-	N/A
Total Revenues	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089	\$ 21,484,418	\$ 24,260,206	6.7%
Annual Growth	N/A	5.2%	9.5%	-0.2%	12.9%	
Revenue Growth w/o ARPA/CARES	N/A	4.1%	2.1%	-1.9%	7.4%	



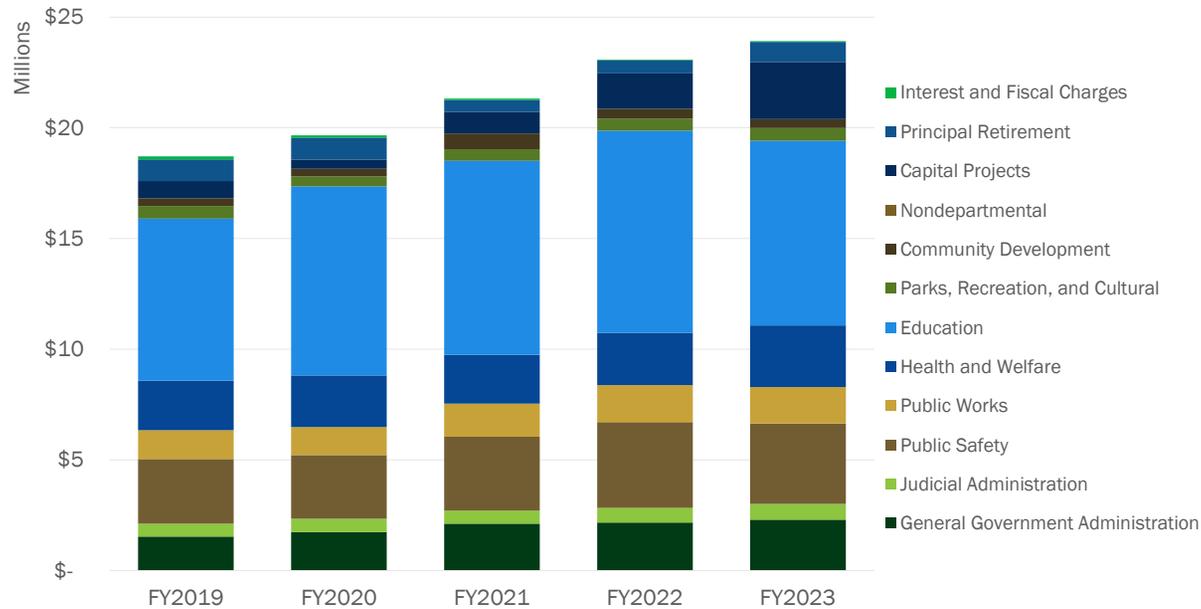
Other Local Tax Revenues – Historical Results



Summary of Other Local Tax Revenues						
Other Local Taxes	FY2019	FY2020	FY2021	FY2022	FY2023	5-Year CAGR
Local Sales and Use	\$508,533	\$633,773	\$778,207	\$825,922	\$917,934	15.9%
Consumer's Utility	152,448	152,689	153,824	154,548	157,051	0.7%
Consumption Tax	37,202	35,148	37,399	36,791	35,298	-1.3%
Motor Vehicle Licenses	300,405	313,553	298,725	295,260	295,402	-0.4%
Business License	184,942	158,108	170,279	188,312	159,447	-3.6%
Bank Stock	99,325	107,362	107,444	132,659	80,069	-5.2%
Recordation and Wills	90,022	112,837	210,369	206,627	118,090	7.0%
Hotel and Motel ⁽¹⁾	-	-	-	-	147,444	N/A
Total	\$1,372,877	\$1,513,470	\$1,756,247	\$1,840,119	\$1,910,735	8.6%



General Fund Expenditures – Historical Results

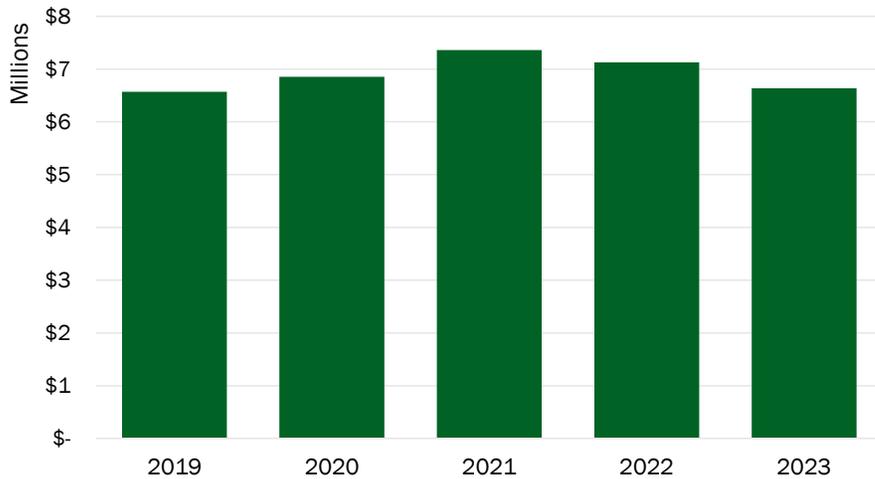


General Fund	FY2019	FY2020	FY2021	FY2022	FY2023	5 Year CAGR
Expenditures						
Current:						
General Government Administration	\$ 1,537,905	\$ 1,736,952	\$ 2,122,327	\$ 2,167,240	\$ 2,294,972	10.5%
Judicial Administration	587,202	604,080	585,474	668,691	713,479	5.0%
Public Safety	2,917,767	2,871,808	3,337,241	3,878,221	3,630,036	5.6%
Public Works	1,303,415	1,264,875	1,493,607	1,656,920	1,651,113	6.1%
Health and Welfare	2,234,166	2,339,464	2,213,478	2,367,457	2,779,534	5.6%
Education	7,314,893	8,532,916	8,754,458	9,122,675	8,347,297	3.4%
Parks, Recreation, and Cultural	564,295	454,598	523,066	546,477	572,158	0.3%
Community Development	354,516	343,782	716,016	456,907	404,924	3.4%
Nondepartmental	-	-	-	-	-	N/A
Capital Projects	782,544	411,745	973,544	1,589,750	2,580,653	34.8%
Debt Service:						
Principal Retirement	970,300	1,001,600	535,000	591,955	906,352	-1.7%
Interest and Fiscal Charges	138,290	100,136	64,274	39,799	40,794	-26.3%
Total Expenditures	\$ 18,705,293	\$ 19,661,956	\$ 21,318,485	\$ 23,086,092	\$ 23,921,312	6.3%
Annual Growth	N/A	5.1%	8.4%	8.3%	3.6%	
Annual Growth w/o Capital ⁽¹⁾	N/A	7.9%	8.8%	5.7%	-2.3%	

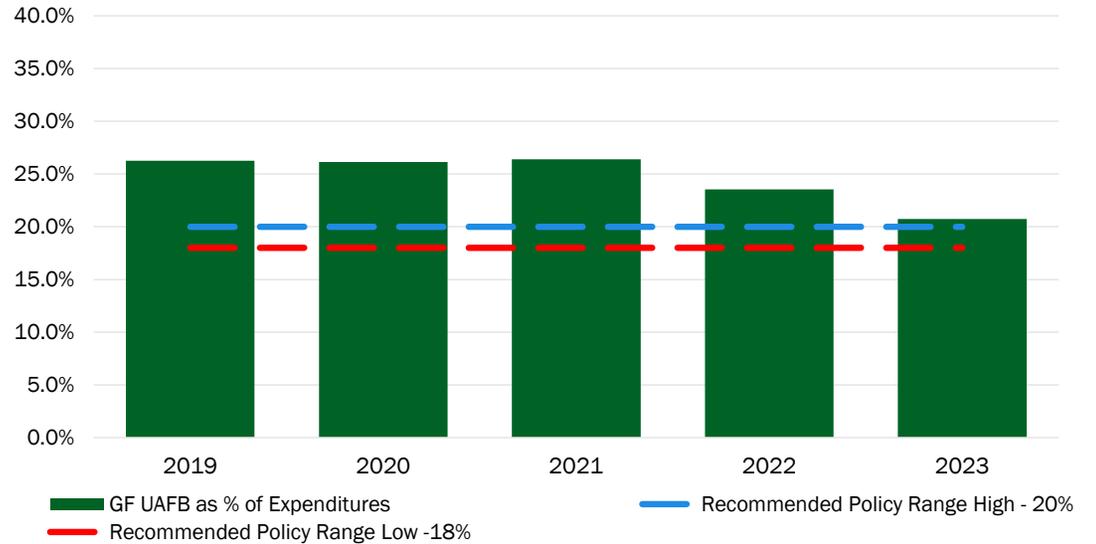
General Fund Unassigned Fund Balance – Historical Results



GF Unassigned Fund Balance



GF Unassigned Fund Balance as % of Governmental Expenditures



FY	GF Unassigned Fund Balance	Governmental Expenditures ⁽¹⁾	GF UAFB as % of Expenditures
2019	\$6,572,246	\$25,041,260	26.2%
2020	6,855,586	26,226,875	26.1%
2021	7,360,487	27,867,241	26.4%
2022	7,128,249	30,288,071	23.5%
2023	6,639,008	32,033,761	20.7%

(1) Governmental Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less Local Government Revenue.



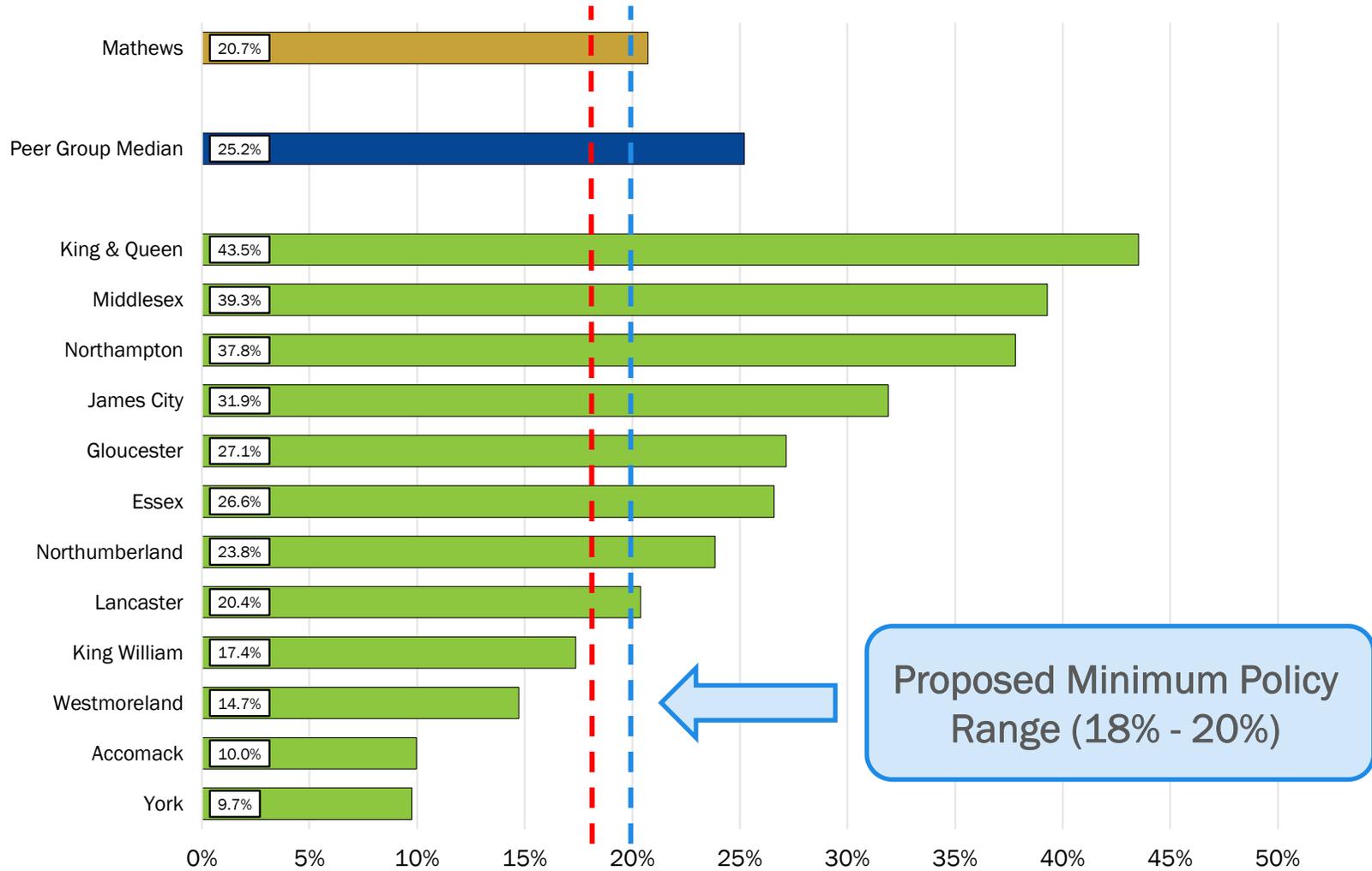
Why an Unassigned Fund Balance is Important

- Why is maintaining a healthy unassigned fund balance important?
 - Provides adequate month-to-month cash flow and eliminates the need for costly cash-flow borrowing.
 - Provides funds for emergency situations (i.e. natural disasters such as hurricanes).
 - Provides funds for unforeseen expenditures or revenue shortfalls that occur during a fiscal year.
 - Allows for bond funded capital projects to begin prior to having borrowed funds on hand.
 - Helps mitigate/offset other financial weaknesses.
 - Provides comfort to potential lenders and the rating agencies as it relates to the County's financial strength/flexibility and thus allows the County to obtain competitive financing.

GF Unassigned Fund Balance as a % of Govt. Expenditures



GF Unassigned Fund Balance as % of Governmental Expenditures



Note: Governmental Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less Local Government Revenue.

Source: Locality Audits & Moody's MFRA.



GF Unassigned Fund Balance Policy Recommendation

- As shown on the preceding page, the County currently maintains an General Fund Unassigned Fund Balance at roughly 20.7% of Governmental Expenditures.
 - As shown below, Moody’s Criteria for General Obligation Credits defines categories for Unassigned Fund Balance as a Percentage of Revenues. Moody’s defines the “Very Strong” threshold for Aaa credits as those with fund balance levels exceeding 30%.
- While the County strives to maintain 10%, Davenport recommends formally adopting a policy to maintain General Fund Unassigned Fund Balance at or above the 18% to 20% range of Governmental Expenditures.

Very Strong (Aaa):	> 30%
Strong (Aa):	30% - 15%
Moderate (A):	15% - 5%
Weak/Very Poor (Baa & below):	5% - 0%

Targeted minimum threshold range





D. Tax-Supported Debt Management

Mathews County, Virginia



Key Debt Ratios

- When considering whether or not to take on additional debt to fund capital projects, it will be helpful for the County to consider both its Debt Capacity and its Debt Affordability. While there are several different ratios/metrics that can be tracked to evaluate a government's debt profile, two are generally regarded industry-wide as **Key Debt Ratios**:

1. Debt vs. Assessed Value (Debt Capacity):

- Debt Capacity can be thought of as the amount of debt a locality can incur while staying within prudent financial guidelines.
- Debt Capacity can be thought of as the County's credit card limit.

2. Debt Service vs. Expenditures (Debt Affordability):

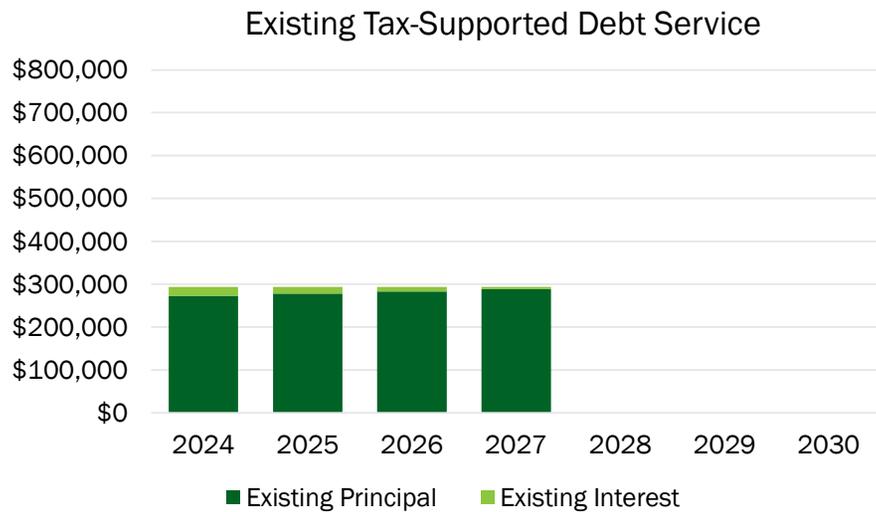
- Debt Affordability focuses more on the County's ability to repay its debt obligations given its current cash flows.
- Debt Affordability can be equated to the ability of the County to pay its credit card bill.

Davenport has recommended adopting Financial Policy Guidelines related to the ratios above in the Capital Funding Analysis section of this presentation.



Existing Tax-Supported Debt Profile

- The County has an annual payment of \$294,017 related to Radio System Financing from FY 2024 through FY 2027.
- Following maturity of the Radio System Financing, the County will have no existing Tax-Supported Debt Service payment requirements.



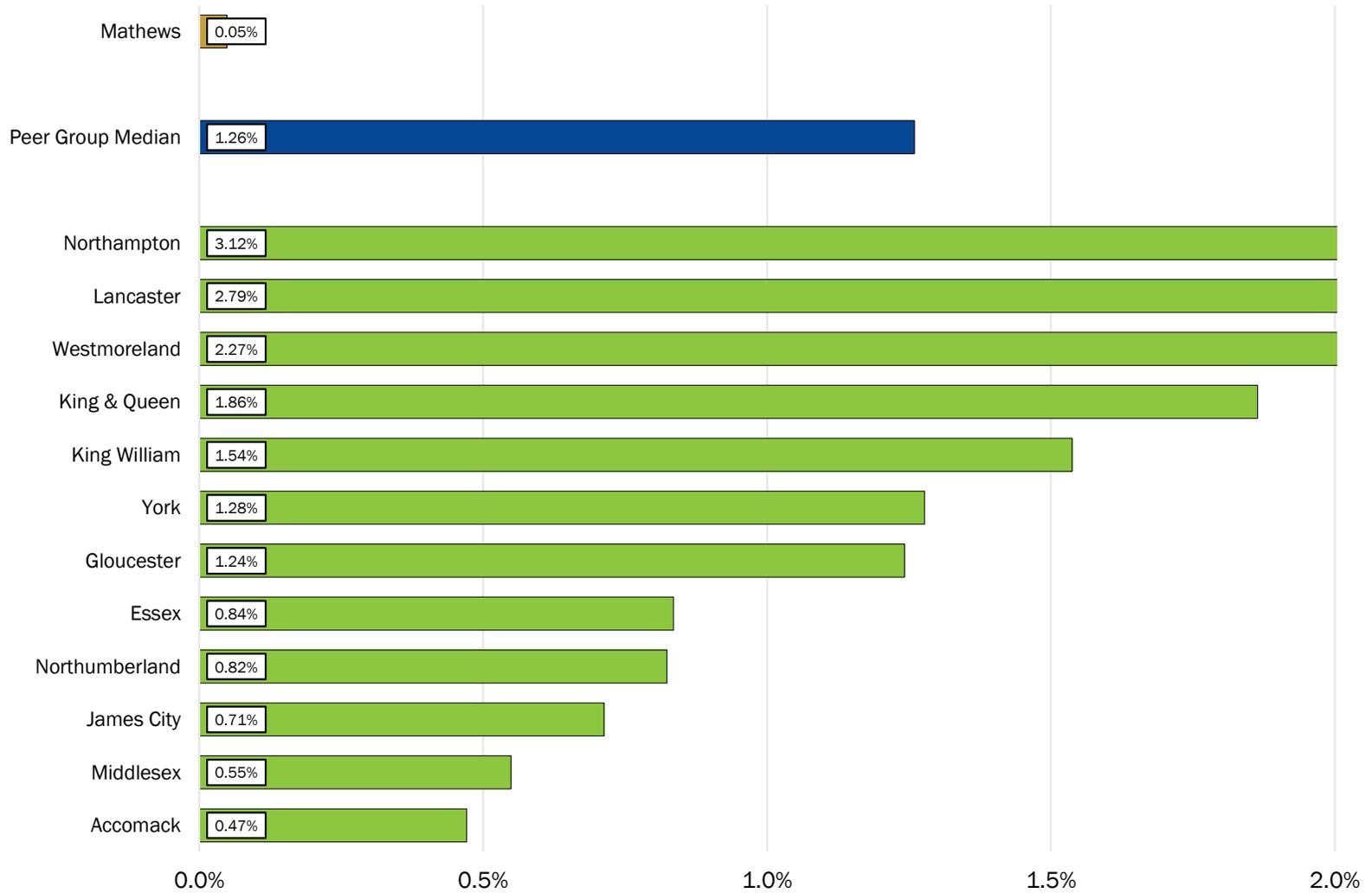
Existing Debt Service

FY	Principal	Interest	Total
Total	\$1,123,624	\$52,444	\$1,176,068
2024	273,230	20,787	294,017
2025	278,285	15,732	294,017
2026	283,433	10,584	294,017
2027	288,676	5,341	294,017
2028	-	-	-
2029	-	-	-
2030	-	-	-

Peer Comparison – Existing Debt vs. Assessed Value



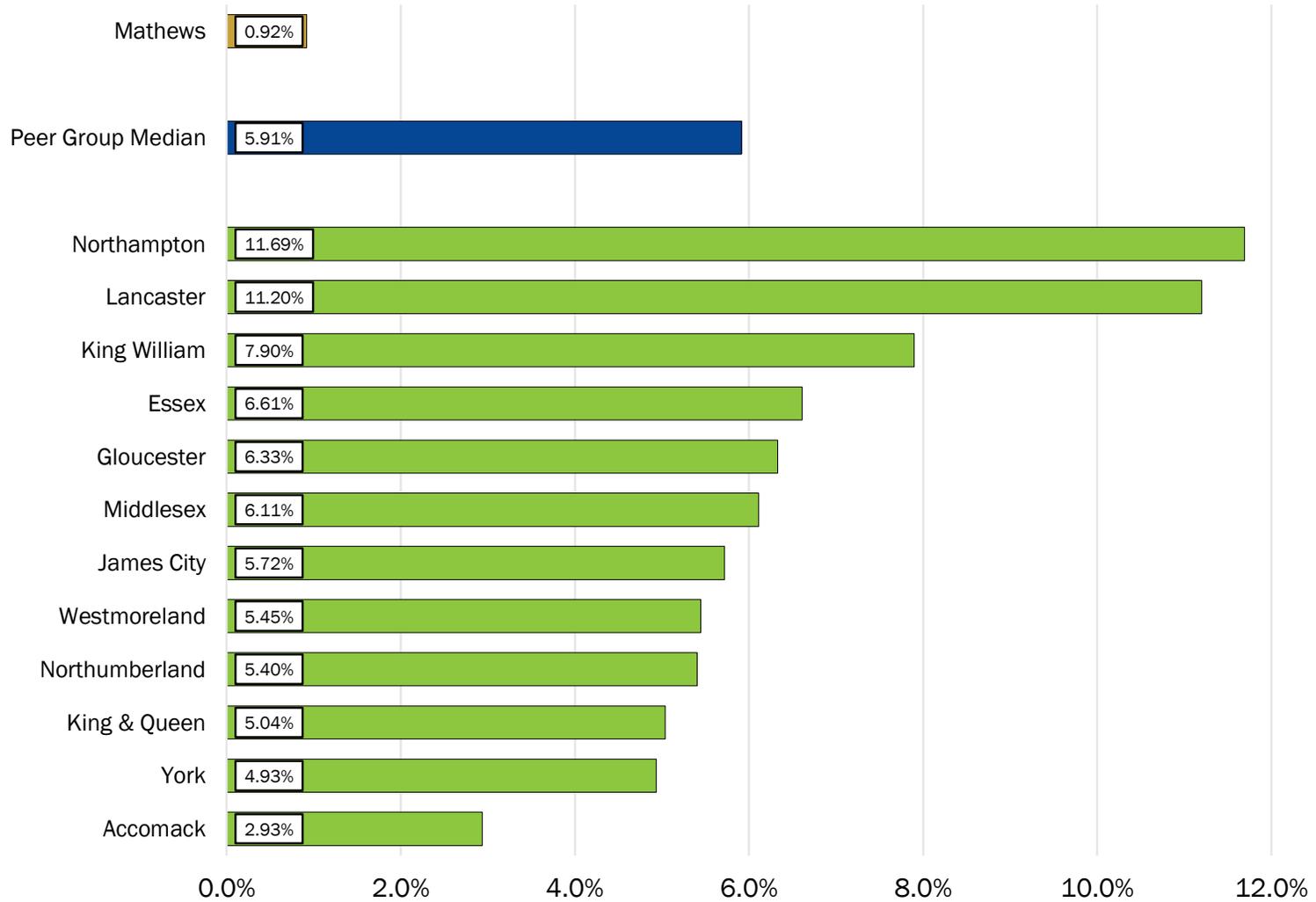
Debt Outstanding vs. Assessed Value



Peer Comparison – Debt Service vs. Govt. Expenditures



Debt Service vs. Governmental Expenditures





E. Capital Funding Analysis

Mathews County, Virginia



Capital Improvement Plan – Sources of Funds Overview

- The County plans to use a combination of cash, grant, and debt funding over the next five years in support of the Capital Improvement Plan.
- On the following slides, Davenport has outlined a plan of finance in order to responsibly and strategically fully fund the County’s larger immediate needs (highlighted below) while maintaining flexibility for project timings/sizing.

Funding Source	2025	2026	2027	2028	2029	25-29 Total
Meals Tax	\$ 367,000	\$ 622,371	\$ 397,371	\$ 264,914	\$ 364,914	\$ 2,016,570
Committed Reserves	1,610,000	772,812	153,000	94,000	-	2,629,812
Fund Balance	185,413	632,200	627,200	272,200	262,200	1,979,213
Grant Funds	4,961,969	2,706,000	2,350,000	2,138,191	-	12,156,160
American Rescue	-	-	-	-	-	-
Lodging Tax	-	-	-	-	-	-
Sales Tax	-	250,000	450,000	503,989	100,000	1,303,989
Financing	-	4,595,205	2,893,000	1,700,000	-	9,188,205
Total	\$ 7,124,382	\$ 9,578,588	\$ 6,870,571	\$ 4,973,294	\$ 727,114	\$ 29,273,949

\$12.2 Million

\$9.2 Million



- The County expects to secure a significant portion of grant funding for various projects. However, it's important to note that many of these grants require the County to front the dollars for the project prior to receiving reimbursement dollars.
 - This can result in a strain on local governments as they have to raise funds “out-of-pocket” for large capital project expenditures prior to receiving anticipated grant dollars.
 - Given the magnitude of the grant-funded projects the County is contemplating (i.e. \$12+ million in the next 4 years) “fronting” monies for the projects can put an added strain on the County given the sheer magnitude of the grant-funded projects that are contemplated. To this end, and in order to conserve the County’s valuable fund balance, Davenport recommends the County consider putting in place a flexible line of credit that could be used on a short-term basis, if needed, while the County waits for reimbursement from the granting agency.
 - A line of credit of this variety could be procured competitively from banks in concert with a financing for longer term debt-funded County capital projects which is detailed further herein.
 - The goal of the line of credit would be to allow the County to have access to low cost and flexible financing that can be drawn down if needed and repaid when grant dollars are paid to the County.
 - A line of credit, up to \$5 - \$7 million would accomplish that objective.

Plan of Finance | Debt-Funding Approach



- Additionally, given that the County's identified CIP debt-funded needs are in the earlier stages of discussion the County may want to consider a separate flexible interim financing strategy that would allow the County to move forward with preliminary design, land acquisition, site work, etc. without needing to deploy valuable Fund Balance from the County's reserves.
 - Putting in place an interim financing for immediate (FY 2026) debt-funded projects would allow the County to work through the process of design, engineering, bidding, construction, etc. without having to draw down on its valuable / important fund balance.

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Plan of Finance – Interim Financing

What is Interim Financing?

1. Access funds for a variety of governmental purpose County projects.
 2. Short-term Financing (usually 1-3 years) of Interest-Only payments.
 3. Prepayment Flexibility – ability to prepay or term-out the interim financing as early as needed.
-
- The interim financing is a useful cash flow management strategy that gives the County the ability to:
 - Take advantage of short term borrowing rates which are currently lower than investment rates;
 - Maintain strong fund balance levels while projects undergo design/construction;
 - Reduce budgetary impact - only pay interest (rather than full principal and interest) during the life of the project; and
 - Provide Flexibility as to the final structure of permanent debt once project timing and cost is finalized.



Interest Rate Environment | Tax-Exempt

20-Bond Index (Since 1980)



20-Bond Index (Since May 2020)



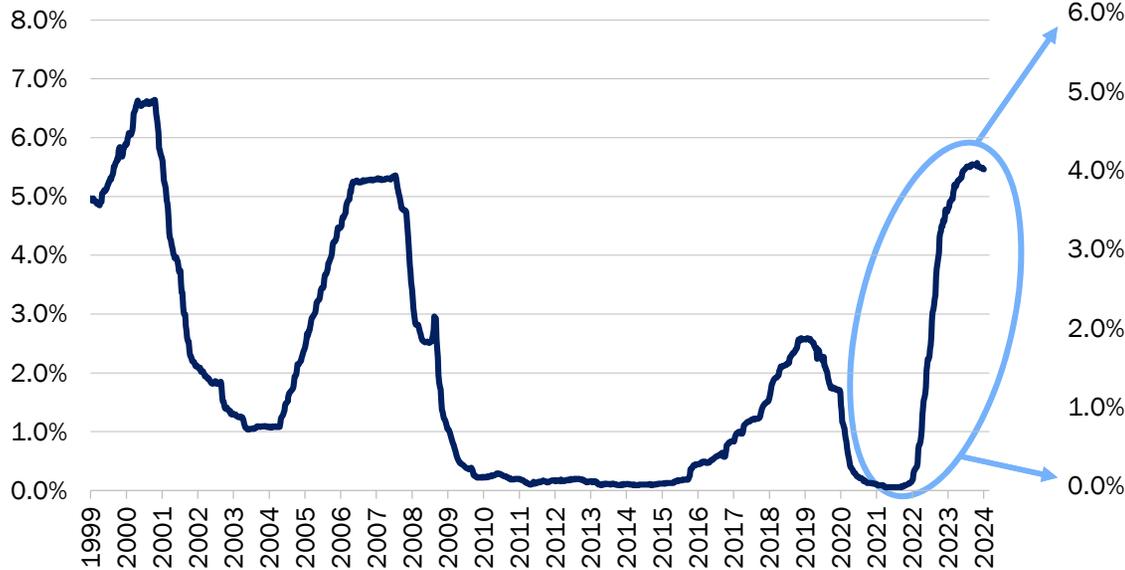
Interest rates for tax-exempt borrowings are at historically favorable levels, presenting a favorable environment to potentially refund outstanding debt.

The 20-year interest rates above show the Bond Buyer's "20-Bond Index" which consists of 20 tax-exempt bonds with an average rating of 'Aa2'/'AA' (Moody's / S&P) that mature in 20 years. The 20-Bond Index serves as a general indicator of prevailing interest rates for tax-exempt borrowers. Updated as of 03/12/2024.

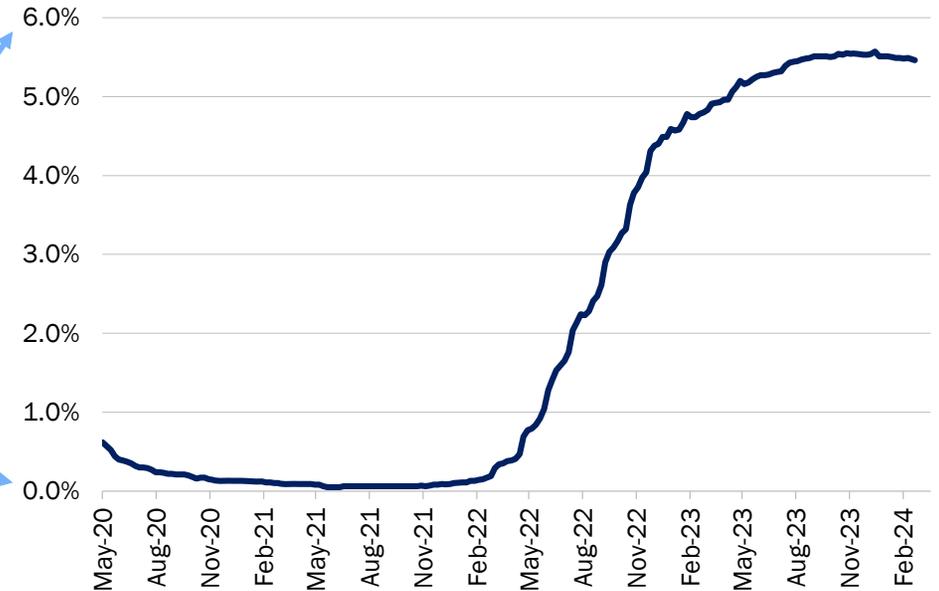


Reinvestment Rate Trends | LGIP 7-Day Rate

VA LGIP 7-Day (Since 1999)



VA LGIP 7-Day (Since May 2020)

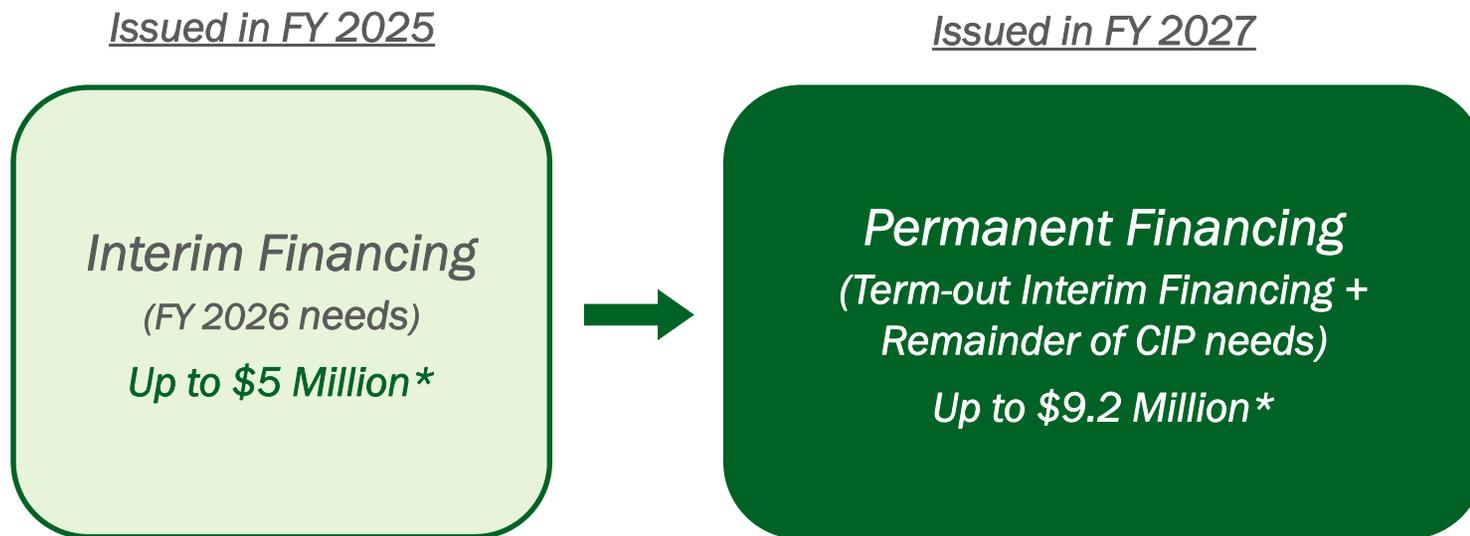


Short-term reinvestment rates have increased to levels last seen over a decade ago.



Plan of Finance – Interim & Permanent Financing

- As outlined on page 30, the County has a total of \$9.2 million in Debt-Funded projects broken down as follows:
 - \$4.6 Million in FY 2026
 - \$2.9 Million in FY 2027
 - \$1.7 Million in FY 2028
- Davenport proposes that the County secure interim financing for the first phase of the Debt-Funded projects i.e. roughly \$5 million.





Plan of Finance – Assumptions/Impacts

- Davenport has analyzed the impact of the Plan of Finance using the following assumptions:
 - Fixed 4.5% interest rate for the Interim Financing issued in FY 2025 with a 2 year repayment term of interest-only payments; and
 - Interim Financing paid off with Long-Term Permanent Financing (term-out and remainder of CIP needs) in FY 2027 (fixed 5.0% interest rate with 20 years of full principal and interest level debt service).

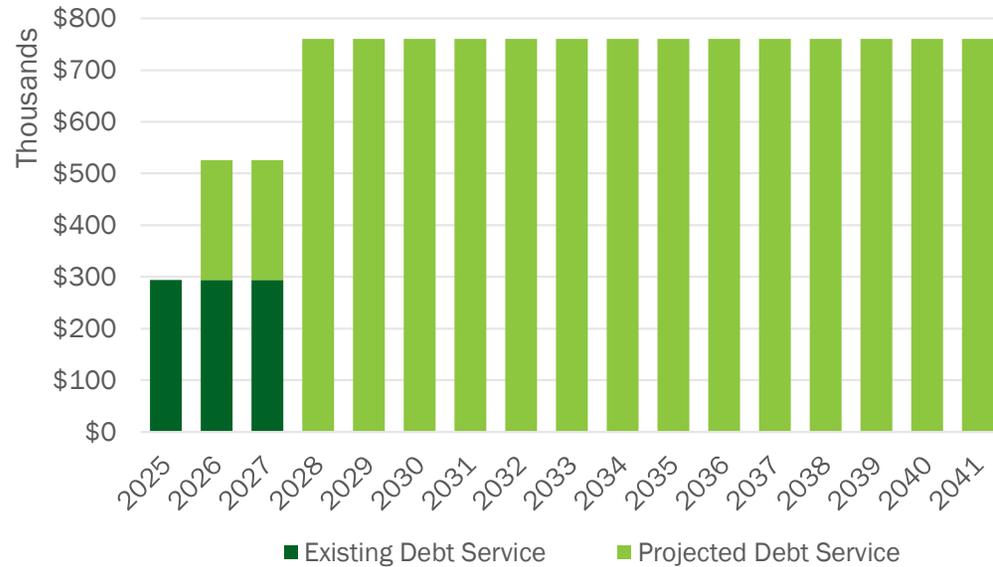
- On the following slides Davenport has analyzed the impact the interim financings will have on future debt service payments as well as the previously mentioned debt ratios:
 1. Debt vs. Assessed Value.

 2. Debt Service vs. Expenditures.



Plan of Finance – Debt Service Impact

- The debt service impact of the proposed Plan of Finance is gradual as displayed below:



Summary of Debt Service Impact

Fiscal Year	Existing Debt Service	Projected Debt Service	Total Debt Service
TOTAL	\$882,051	\$15,671,075	\$16,553,126
2025	\$294,017	\$0	\$294,017
2026	294,017	231,750	525,767
2027	294,017	231,750	525,767
2028	-	760,379	760,379
2029	-	760,379	760,379
2030	-	760,379	760,379
2031	-	760,379	760,379
2032	-	760,379	760,379
2033	-	760,379	760,379
2034	-	760,379	760,379
2035	-	760,379	760,379
2036	-	760,379	760,379
2037	-	760,379	760,379
2038	-	760,379	760,379
2039	-	760,379	760,379
2040	-	760,379	760,379
2041	-	760,379	760,379
2042	-	760,379	760,379
2043	-	760,379	760,379
2044	-	760,379	760,379
2045	-	760,379	760,379
2046	-	760,379	760,379
2047	-	760,379	760,379

Note: Graph Debt Service payments continue through FY 2047 as shown in the table. Preliminary and Subject to Change. Estimates include cost of issuance for planning purposes.



Plan of Finance – Debt Service Impact (cont.)

- The County can fund the debt service increases using other sources of funding including but not limited to: already set-aside dollars, capitalized interest, etc.
- According to Davenport’s preliminary analysis, the County could need to identify recurring dollars in the amount of approximately:
 - \$235 Thousand in FY 2026 and an additional \$235 Thousand in FY 2028.

A	B	C	D = B + C	E	F = D - E	G	H	I	J = I - D
Fiscal Year	Existing Debt Service	Total Proposed Debt Service ⁽¹⁾	Total Capital Requirements	FY2025 Debt Service Level	Additional Revenue Required	Incremental Equivalent Real Estate Tax Increase	Total Additional Recurring Revenues from Tax Increases ⁽²⁾	Available Recurring Revenues for Debt Service	Net Revenues
2025	294,017	0	294,017	294,017	0	0	0	294,017	0
2026	294,017	231,750	525,767	294,017	231,750	1.50¢	310,715	604,732	78,965
2027	294,017	231,750	525,767	294,017	231,750	0	0	604,732	78,965
2028	0	760,379	760,379	294,017	466,362	1.00¢	207,143	811,875	51,496
2029	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496
2030	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496
2031	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496
2032	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496
2033	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496
2034	0	760,379	760,379	294,017	466,362	0	0	811,875	51,496

Note: Preliminary and Subject to Change. Estimates include cost of issuance for planning purposes.

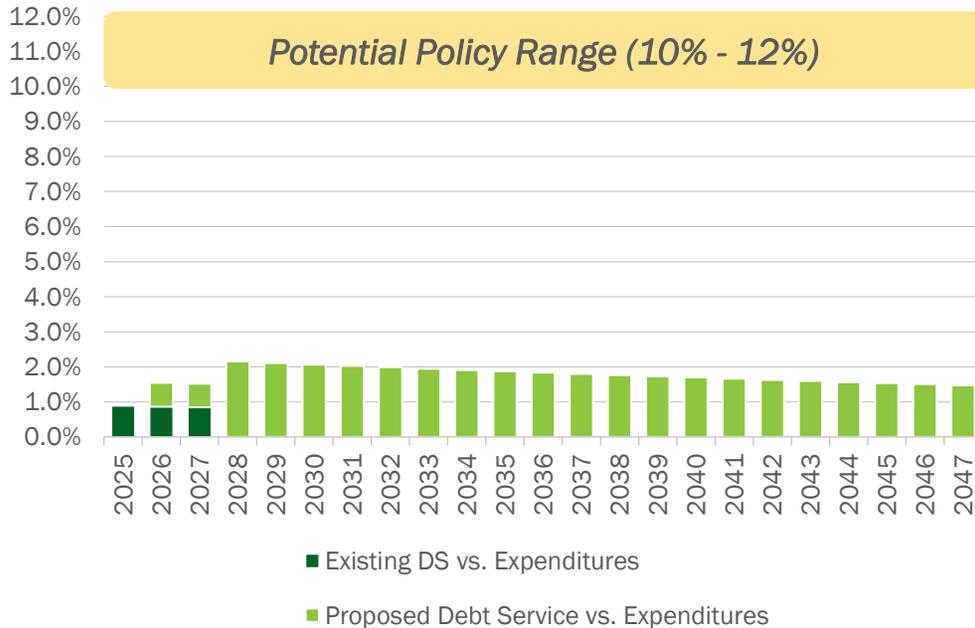
(1) Debt Service payments continue through FY 2047 as shown on the previous page.

(2) The real estate tax rate penny value is assumed to be \$207,143



Plan of Finance – Debt Ratios

Debt Service vs. Governmental Expenditures⁽¹⁾



- Standard & Poor's Criteria for General Obligation Credits Defines categories of Debt Service as a % of Governmental Expenditures as⁽²⁾:

	FY 2025	Maximum
— Very Strong:	<8%	<8%
— Strong:	8% - 15%	8% - 15%
— Adequate:	15% - 25%	15% - 25%
— Weak:	25% - 35%	25% - 35%
— Very Weak:	>35%	>35%

Davenport recommends that the County formally adopt the following policy:

The County's Tax-Supported Debt Service payments (principal and interest) shall not exceed 12% of Total Governmental Expenditures.

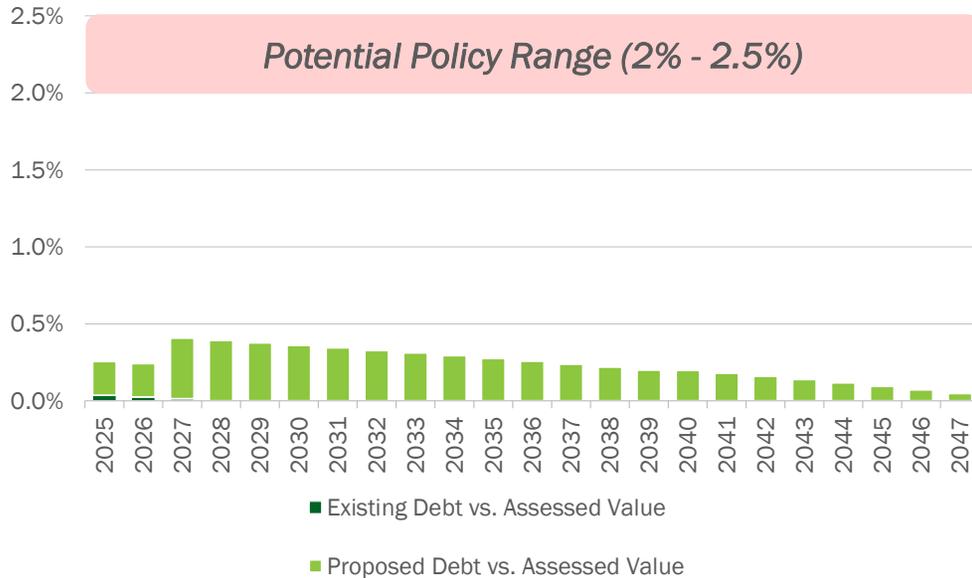
(1) FY 2025 Governmental Expenditures (\$32,033,761) are based on FY 2023 Audited General Fund Expenditures (\$23,921,312) plus School Operating Expenditures (\$16,452,476) less Intergovernmental Transfer (\$8,340,027). Assumes 2% growth beginning in FY 2024.

(2) S&P: U.S. Local Governments General Obligation Ratings Methodology.



Plan of Finance – Debt Ratios

Debt vs Assessed Value⁽¹⁾



- Moody's Criteria for General Obligation Credits defines categories of Debt to Assessed Values as⁽²⁾:

	FY 2025	Maximum
– Very Strong (Aaa):	<0.75%	<0.75%
– Strong (Aa):	0.75% - 1.75%	0.75% - 1.75%
– Moderate (A):	1.75% - 4.00%	1.75% - 4.00%
– Weak - Very Poor (Baa and below):	>4.00%	>4.00%

Davenport recommends that the County formally adopt the following policy:

The County's outstanding Tax-Supported Debt as a Percentage of Total Assessed Value of Taxable Property shall not exceed 2.5%.

(1) FY 2025 Assessed Value is based on FY 2023 AV of \$2,302,422,755. Assumes 1% annual growth beginning in FY 2024.

(2) Moody's Investors Service.



F. School Capital Funding Opportunities

Mathews County, Virginia



School Capital Funding

- Mathews County Public Schools (the “Schools”) serves the County, and the County makes annual contributions from its General Fund budget.

- After discussions with County Staff, the potential need for new school investment ranges from \$12 to \$15 Million in the coming years.

- Funding for school capital investment could potentially be acquired a number of ways by the County and includes, but is not limited to, the following:
 - The issuance of County debt;
 - Contributions from the County; and
 - The Commonwealth’s School Capital Funding Initiatives, as outlined on the following pages.



The Commonwealth's School Capital Funding Initiatives

- Over the last two (2) years, the Commonwealth has committed upwards of \$650 Million to provide direct funding to localities for the construction and renovation of schools through two (2) programs:
 - The School Construction Assistance Program; and
 - The Literary Loan Program.

The School Construction Assistance Program

- The School Construction Assistance Program provides grants to local governments for up to 30% of project costs (up to a maximum of \$30 Million of grant funding), depending on the locality's Local Composite Index (LCI) and other factors related to the specific project.
 - Initial funding as a part of the Commonwealth's 2022-24 biennial budget totaled \$450 Million and is expected to be entirely committed to specific projects by Spring 2024.
 - Future grant dollars are expected to be sourced from casino revenues (the precise amount unknown at this time and expected to be substantially less than the original state funding for the program).

The Literary Loan Program

- The Commonwealth's Literary Loan Program has been a potential funding source for school capital investment for decades, but recent changes to the program have provided localities with more flexibility and more favorable interest rates.
 - Based on the County's LCI of 0.5904, the County could possibly be eligible to receive up to \$25 Million of funding at an interest rate of the lesser of 5.0%, or a current market interest rate⁽¹⁾ of 3.36%.
 - Availability of a Literary Loan is subject to a competitive process administered by the DOE.

DAVENPORT & COMPANY ⁽¹⁾ The current market interest rate is based on Bloomberg's BVAL AAA Callable Curve as of 03/15/24.



Local Sales Tax Legislation

- The General Assembly is currently contemplating legislation allowing all cities and counties to hold a voter referendum to charge up to an additional 1% Local Sales Tax to fund school construction and renovation.
 - Currently, only nine (9) localities have been permitted to hold a referendum and implement this 1% Local Sales Tax for schools, including the counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania and the city of Danville.

- The legislation was approved by the Senate on January 29, 2024, and by the House of Delegates on February 26, 2024, with approval from the Governor being the remaining step before it is enacted.

- Advantages of the 1% Local Sales Tax include, but are not limited to:
 - Providing a new revenue source that will not affect the County’s existing General Fund budget; and
 - Maintaining the County’s debt capacity for other projects since revenues outside the General Fund would be used for new school-related debt service.



Local Sales Tax Legislation (cont.)

- The County has historically received between \$500K to \$900K from its local portion of the existing state sales tax that flows to the General Fund.

- It is as of yet unclear what revenues the potential additional 1% sales tax for schools will generate.
 - Note: The basket of goods that the 1% for schools will be applied to is potentially different than the existing state sales tax (i.e. excludes exempt items such as groceries and hygiene products).

- To this end, Davenport ran a series of scenarios to demonstrate the capital funding potentials of the additional 1% sales tax for schools based on the assumptions outlined below.

- Based on the County’s school capital needs, the County would likely need to find additional revenue beyond the revenue from the potential 1% sales tax increase to fund the maximum contemplated project amount.

- On the following pages, using the both anticipated Literary Loan and current market planning interest rate estimates, Davenport has analyzed possible funding sizes for school projects given the revenue obtained from the potential 1% sales tax increase (for both 20 & 30 years).

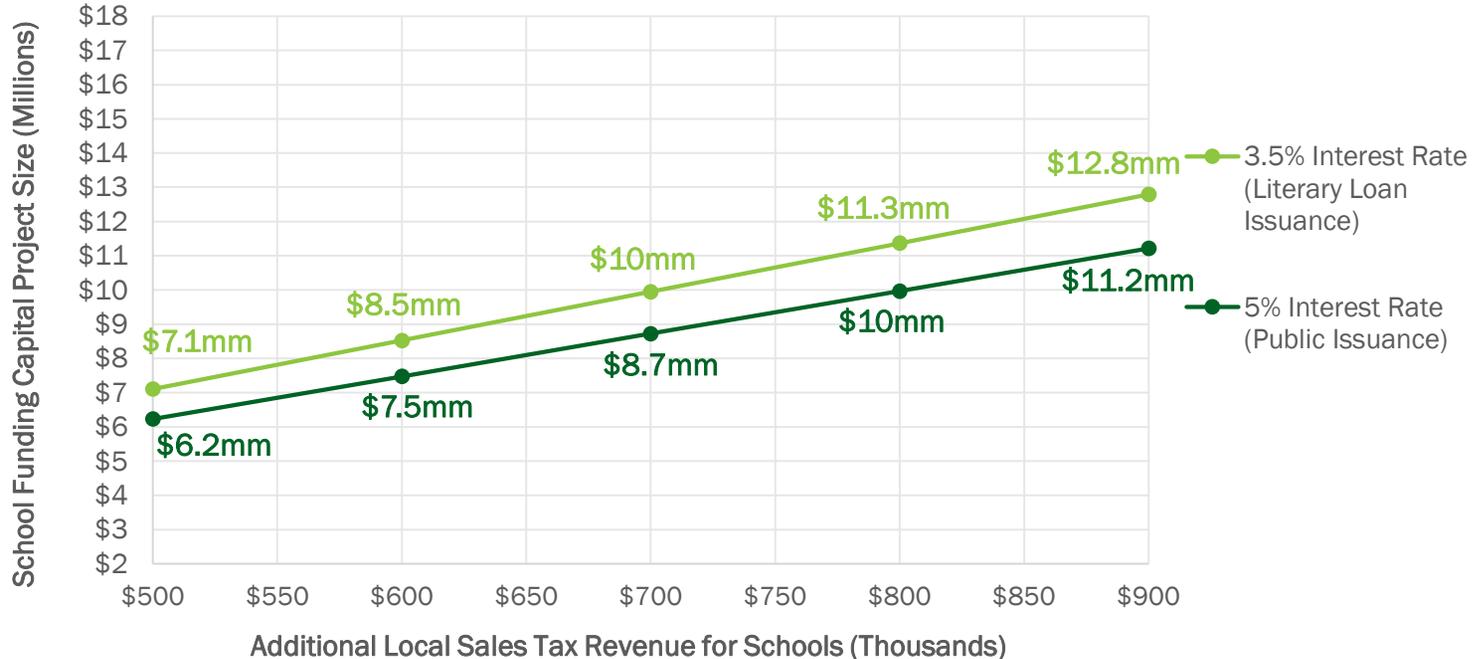


School Capital Funding Opportunities (20 Years)

- Davenport has displayed in the graph below a range of possible funding sizes for school projects given an array of potential revenues obtained from the Local Sales Tax Revenue Legislation.
- Davenport has considered 2 possible issuance scenarios: (1) Obtaining a Literary Loan – 3.5% interest rate, and (2) Going to the Public Markets – 5% interest rate.

Literary Loan
 The County could issue debt for school projects in the range of \$7.1 million to \$12.8 million.

Public Markets
 The County could issue debt for school projects in the range of \$6.2 million to \$11.2 million.





School Capital Funding Opportunities (30 Years)

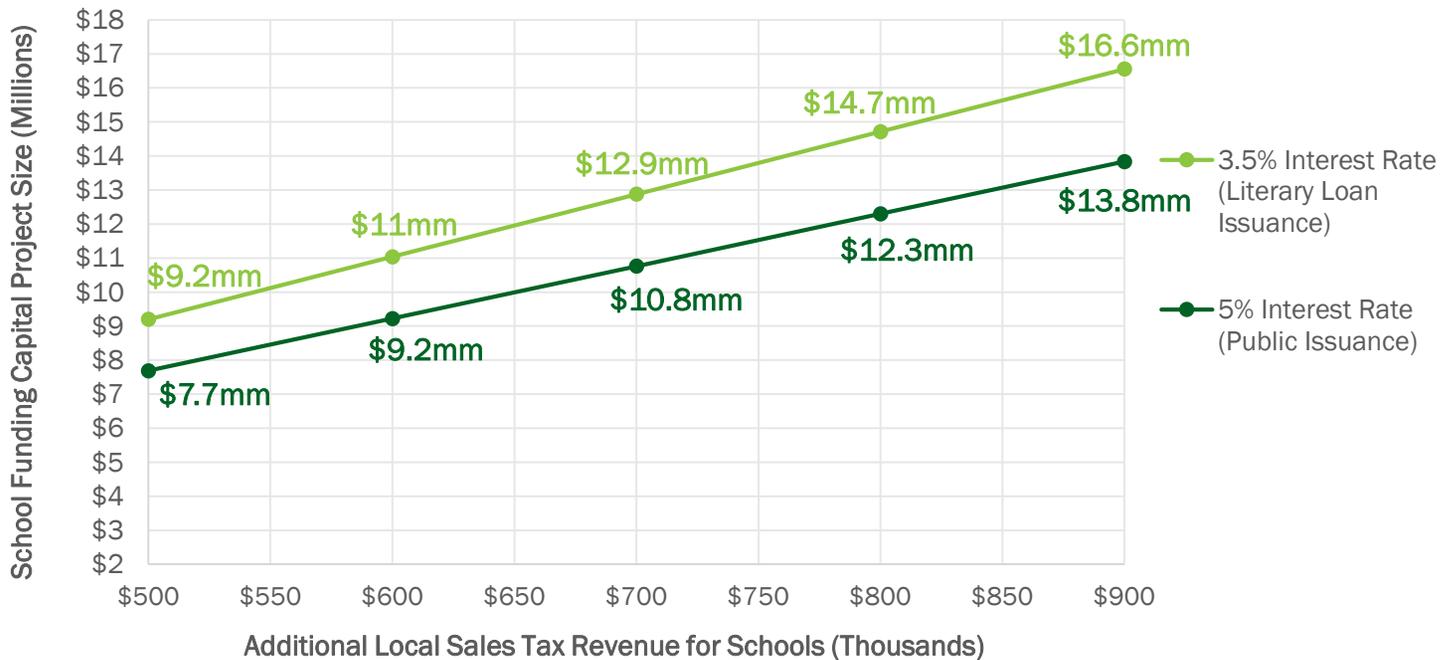
- Davenport has displayed in the graph below a range of possible funding sizes for school projects given an array of potential revenues obtained from the Local Sales Tax Revenue Legislation.
- Davenport has considered 2 possible issuance scenarios: (1) Obtaining a Literary Loan – 3.5% interest rate, and (2) Going to the Public Markets – 5% interest rate.

Literary Loan

The County could issue debt for school projects in the range of \$9.2 million to \$16.6 million.

Public Markets

The County could issue debt for school projects in the range of \$7.7 million to \$13.8 million.



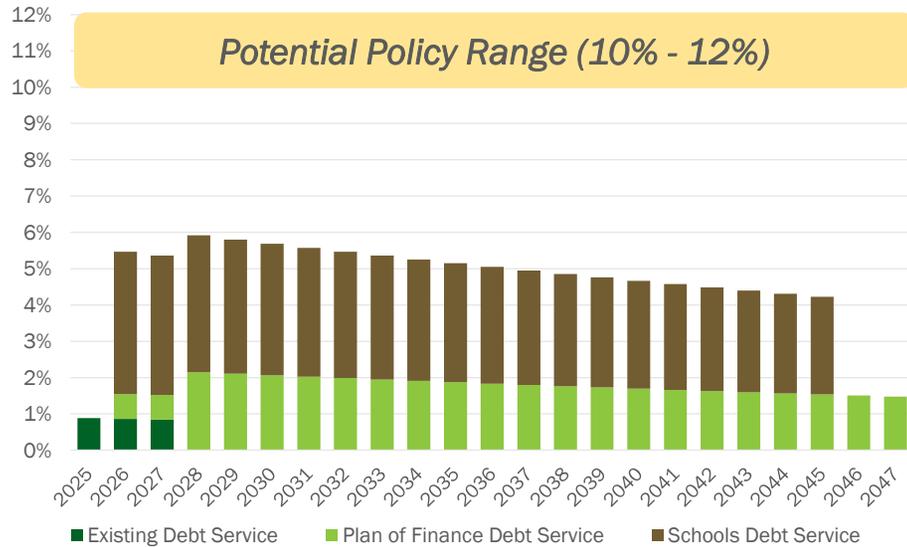
Note: Preliminary and Subject to Change.



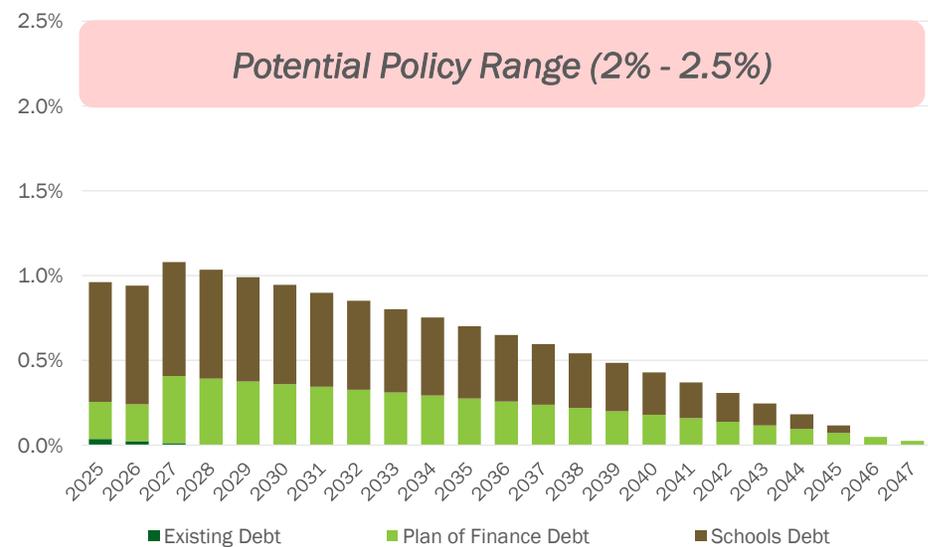
Debt Ratios

- Should the County undergo funding for school projects with any borrowing size outlined on the previous page, and consider the Interim Financing Plan of Finance, the County is projected to remain in compliance with the proposed debt-related financial policies (as shown below).

Debt Service vs. Governmental Expenditures



Debt vs Assessed Value





G. Next Steps

Mathews County, Virginia



Next Steps

- Thursday, March 21, 2024
Davenport to present an update to the Comprehensive Financial Review to the Board of Supervisors.

- Thursday, May 16, 2024
Board to adopt the FY 2025 Budget and recommended Financial Policy Guidelines.

- Spring/Early Summer 2024
Finalize timing and project amounts of Capital Improvement needs as well as anticipated grants received.

- Early Summer 2024
Davenport to present detailed Plan of Finance in order to begin the process of issuing interim financing for the Grant-related and Debt-related capital projects.

- Summer/Fall 2024
Close on Interim Financing, if applicable.



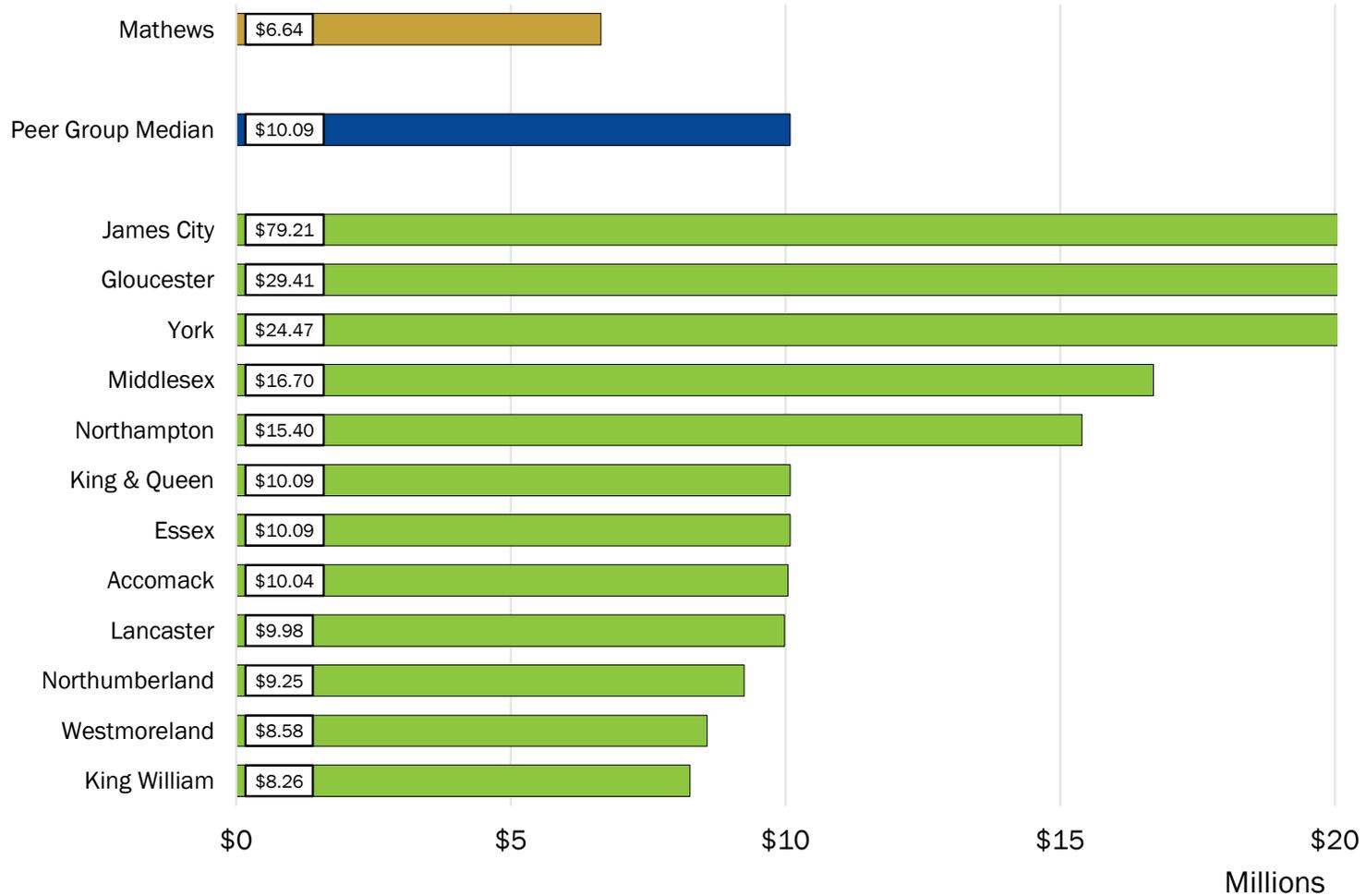
Appendix

Mathews County, Virginia

Peer Comparison – GF Unassigned Fund Balance



GF Unassigned Fund Balance

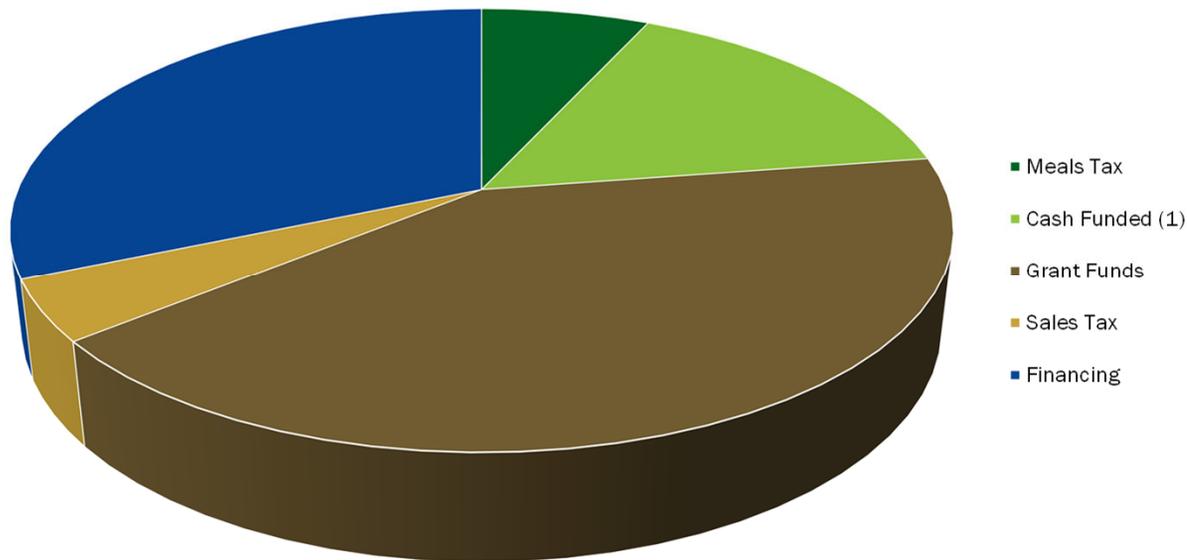




Capital Improvement Plan – Sources of Funds Overview

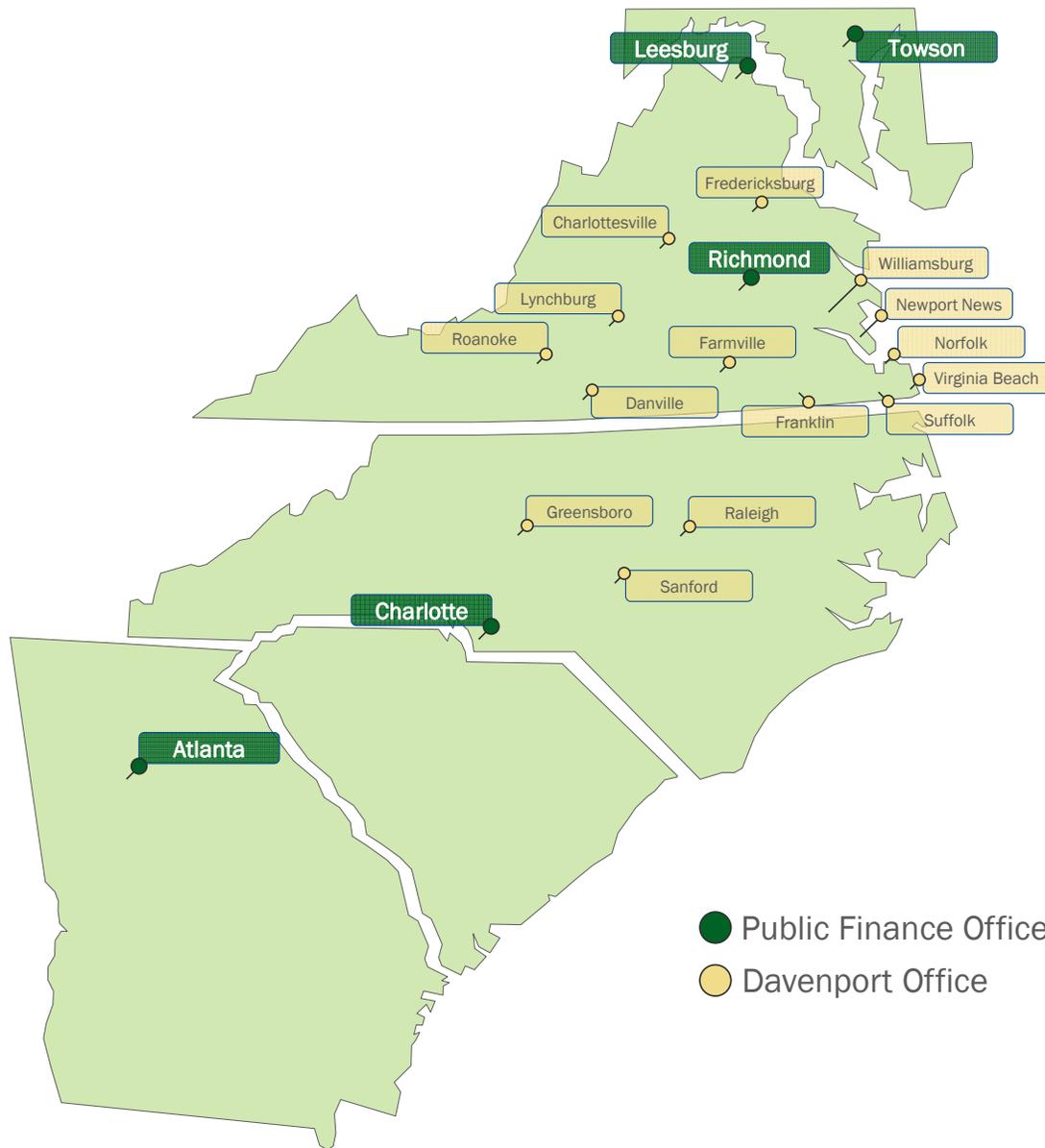
- As shown below, the County’s CIP utilizes substantial grant funding (42%). Only 31% of the CIP is planned to be debt funded, which is a very modest level of assumed debt funding in the 5 Year CIP provided by County Staff.

Sources of Funds CIP FY25-FY29



Funding Source	Percentage Total (FY25-FY29)
Meals Tax	7%
Cash Funded ⁽¹⁾	16%
Grant Funds	42%
Sales Tax	4%
Financing	31%
Total	100%

Overview | Davenport & Company LLC



Founded in 1863 in Richmond, VA, Davenport recently celebrated its 160th anniversary. We are wholly owned by our Employees.

Key Statistics

- Employees: 500+
- Client Assets: \$25.7 Billion
- Firm Assets: \$100+ Million
- Firm Capital: \$28.2 Million

Major Business Concentrations

- Public Finance
- Asset Management
- Investment Consulting
- Retail Brokerage
- Equity Research



- Davenport & Company LLC (“Davenport”) headquartered in Richmond, Virginia, serves as Financial Advisor to approximately 2/3 of Virginia Counties.
- In our capacity as Financial Advisor, we routinely provide services for Local Governments such as:

1. Strategic Financial Planning:

- Capital Planning Process
- Plan of Finance Development
- Transaction Execution
- Closing/Post-Closing

2. Transaction Services:

- Negotiated Sale
- Competitive Sale
- Direct Bank Loan

3. Investment Management

4. Rating Agency Interaction:

- Credit Presentation Development
- Strategy Sessions
- Follow-up

5. Economic Development:

- Criteria for Development Incentives
- Cost-Benefit Analysis
- Financial Alternatives

6. State Credits and Financing Programs:

- Virginia Resources Authority
- Virginia Public Schools Authority

7. Strategic Consulting Services:

- Comprehensive Financial Review
- Financial Policy Development
- Pro-Forma Budget Modeling
- Cash Flow/Liquidity Analysis



Potential Issuance Options

Issuance Approach	Potential Advantages	Potential Disadvantages
Direct Bank Loan	<ul style="list-style-type: none"> – Streamlined financing process. – Lower Cost of Issuance. – Flexible Prepayment Terms. – Interest Rate established at beginning of financing process. 	<ul style="list-style-type: none"> – Limitations on borrowing amount, term, and structure. – Typically higher interest rates, subject to market conditions.
Virginia Resources Authority (VRA)	<ul style="list-style-type: none"> – Amortization up to 30 years. – Flexible terms of borrowing (amount and term). – Typically lower interest rates than a Direct Bank Loan, subject to market conditions. 	<ul style="list-style-type: none"> – Higher cost of issuance than a Direct Bank Loan, but not as much as a Public Sale. – Interest Rate established late in the financing process. – Additional application requirements can result in longer process.
Public Sale	<ul style="list-style-type: none"> – Flexible terms of borrowing (amount and term). – Typically lower interest rates, subject to market conditions. 	<ul style="list-style-type: none"> – Higher cost of issuance. – Ratings / insurance generally required. – More stringent financing requirements / documentation. – Interest Rate established late in the financing process.
USDA Community Facilities Program	<ul style="list-style-type: none"> – Longer term amortization (30-40 years). – Level Annual Payments. – Low / subsidized interest rates. – Maximum Interest rate established upon approval and can be reduced at project completion. – Potential grant funding / loan forgiveness. 	<ul style="list-style-type: none"> – Limited monies available. – Must meet minimum eligibility qualifications. – Limited structuring flexibility. – Detailed application requirements can result in longer process. – Requires a construction loan. – May require a Debt Service Reserve Fund. – May be subject to additional procurement requirements.



Incremental Revenue Impact

- The table below shows the approximate value of an incremental additional unit on select County revenue sources (based on the FY 2024 Adopted Budget).

Tax Revenue	FY 2024 Budgeted Revenues	Current Tax Rate	Marginal Unit	Approximate Value of a 1-Unit Tax Increase
Real Estate Tax	\$11,600,000	<u>\$0.56</u> /\$100 of AV	\$0.01	\$207,143
Personal Property Tax	\$4,325,000	<u>\$3.70</u> /\$100	\$0.10	\$116,892

General Fund – Historical Results

Detailed



General Fund	FY2019	FY2020	FY2021	FY2022	FY2023
Revenues					
General Property Taxes	\$ 12,687,041	\$ 13,351,262	\$ 13,376,538	\$ 14,248,446	\$ 15,817,489
Other Local Taxes	1,372,877	1,513,470	1,756,247	1,840,119	1,910,735
Permits, Privilege Fees, and Regulatory Licenses	87,209	73,570	76,096	83,157	90,699
Fines and Forfeitures	54,428	42,535	45,618	68,729	86,785
From Use of Money and Property	84,889	116,903	50,209	48,505	72,828
Charges for Services	45,403	42,515	39,244	52,367	55,434
Miscellaneous	104,370	84,857	22,707	123,158	139,734
Recovered Costs	18,574	36,902	124,391	71,001	54,933
Intergovernmental:					
From Commonwealth	3,346,123	3,340,279	3,676,140	3,651,542	3,786,966
From Federal Government	884,869	854,028	892,394	934,297	1,056,554
ARPA	-	-	80,013	352,181	1,188,049
COVID-19 CARES Act	-	193,190	1,385,492	10,916	-
Total Revenues	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089	\$ 21,484,418	\$ 24,260,206
Annual Growth	N/A	5.2%	9.5%	-0.2%	12.9%
Revenue Growth w/o ARPA/CARES	N/A	4.1%	2.1%	-1.9%	7.4%
General Fund					
Expenditures					
Current:					
General Government Administration	\$ 1,537,905	\$ 1,736,952	\$ 2,122,327	\$ 2,167,240	\$ 2,294,972
Judicial Administration	587,202	604,080	585,474	668,691	713,479
Public Safety	2,917,767	2,871,808	3,337,241	3,878,221	3,630,036
Public Works	1,303,415	1,264,875	1,493,607	1,656,920	1,651,113
Health and Welfare	2,234,166	2,339,464	2,213,478	2,367,457	2,779,534
Education	7,314,893	8,532,916	8,754,458	9,122,675	8,347,297
Parks, Recreation, and Cultural	564,295	454,598	523,066	546,477	572,158
Community Development	354,516	343,782	716,016	456,907	404,924
Nondepartmental	-	-	-	-	-
Capital Projects	782,544	411,745	973,544	1,589,750	2,580,653
Debt Service:					
Principal Retirement	970,300	1,001,600	535,000	591,955	906,352
Interest and Fiscal Charges	138,290	100,136	64,274	39,799	40,794
Total Expenditures	\$ 18,705,293	\$ 19,661,956	\$ 21,318,485	\$ 23,086,092	\$ 23,921,312
Annual Growth	N/A	5.1%	8.4%	8.3%	3.6%
Annual Growth w/o Capital ⁽¹⁾	N/A	7.9%	8.8%	5.7%	-2.3%
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (19,510)	\$ (12,445)	\$ 206,604	\$ (1,601,674)	\$ 338,894
Other Financing Sources (Uses)					
Transfers In	\$ 3,593	\$ 88,565	\$ 146,091	\$ 130,000	\$ 744,462
Transfers Out	(17,992)	-	-	(217,472)	(15,508)
Issuance of Lease Revenue Bonds	-	-	-	1,391,891	-
Issuance of Leased Assets	-	-	-	65,017	-
Total Other Financing Sources (Uses)	\$ (14,399)	\$ 88,565	\$ 146,091	\$ 1,369,436	\$ 808,354
Net Change in Fund Balance	\$ (33,909)	\$ 76,120	\$ 352,695	\$ (232,238)	\$ 1,147,248
Fund Balance at Beginning of Year	7,880,432	7,846,523	7,922,644	8,275,339	8,043,101
Fund Balance at End of Year	\$ 7,846,523	\$ 7,922,643	\$ 8,275,339	\$ 8,043,101	\$ 9,190,349

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