

Mathews County Board of Supervisors

Financial Update and Plan of Finance



January 15, 2026



Introduction/Goal & Objectives

Mathews County, Virginia

Background



- Davenport & Company LLC (“Davenport”), in our role as Financial Advisor to Mathews County (the “County”), was tasked to provide a financial overview of the County in advance of the Fiscal Year 2027 budget process and present a Plan of Finance for the County’s upcoming 2026 Financing.
- In the Summer of 2024, Davenport assisted the County on the successful issuance of the \$5,000,000 Lease Revenue Bond Anticipation Note, Series 2024 (the “2024 BAN”).
- The BAN will need to be permanently financed prior to maturity which is in FY 2030.
- County Staff has provided Davenport with updated capital project needs in the County’s Fiscal Year 2027 – 2031 Capital Improvement Program (“CIP”) totaling approximately \$7 million for Fiscal Year 2027.
- Together, the term-out of the 2024 BAN and the \$7 million of new money are referred to as the 2026 Financing herein.

Goals & Objectives



- As part of the discussion presented herein, Davenport intends to accomplish the following:
 - Present an overview of the County's historical financials;
 - Present the impact of the 2026 Financing on the County's existing Debt Profile;
 - Present a Plan of Finance for the 2026 Financing; and,
 - Evaluate and analyze additional School Capital Funding capacity through leveraging a potential new revenue source (*included in Appendix A of the presentation herein*).



Historical General Fund Financials

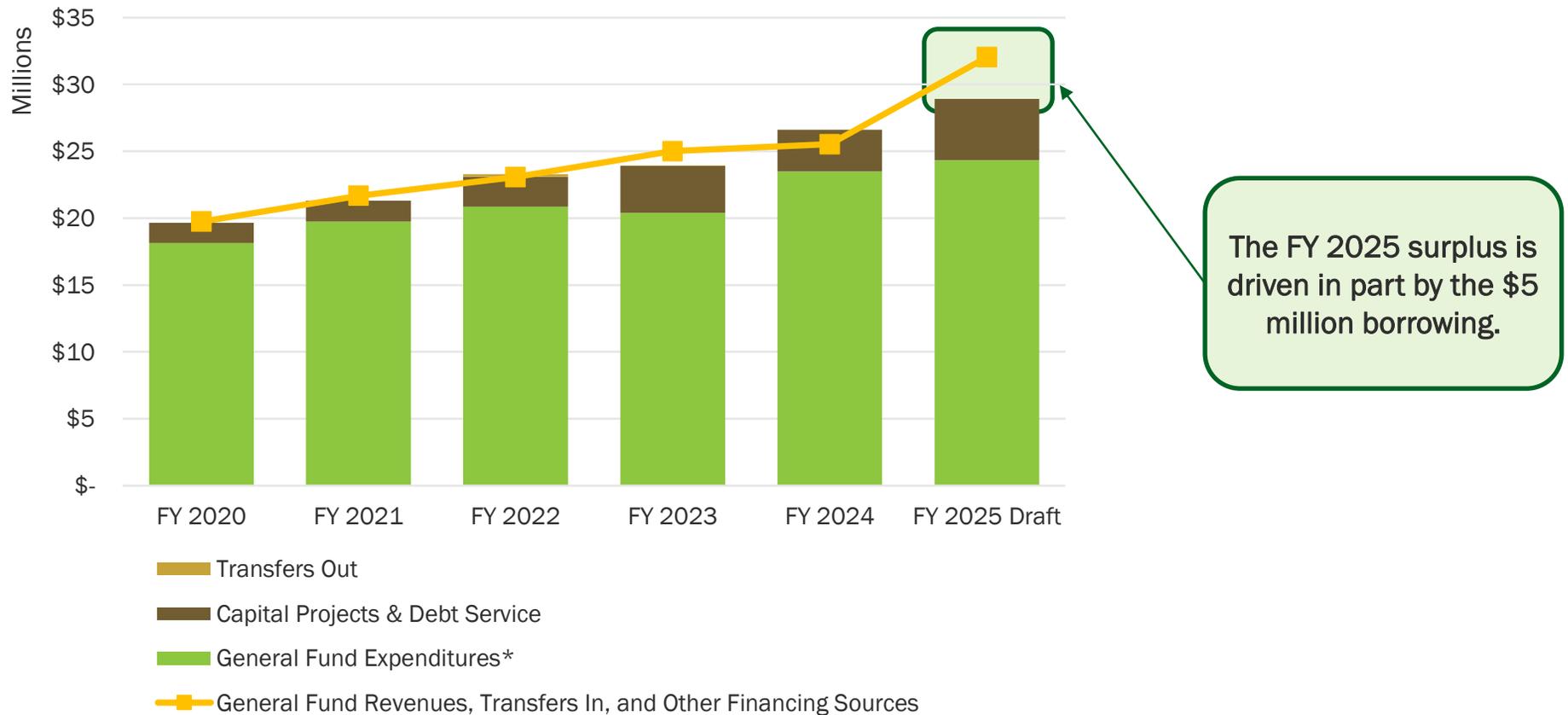
Mathews County, Virginia

Historical Financials



- The County has produced a surplus in four of the last six Fiscal Years. However, the surpluses in FY 2020, FY 2021, and FY 2023 were impacted by substantial one-time federal CARES Act/ARPA funds.

Historical Operating Performance



*General Fund Expenditures on the graph do not include capital projects and debt service.
 Note: "CAGR" means "Compounded Annual Growth Rate".



Fund Balance – Overview

- On August 15, 2024, the County Adopted the following Fund Balance Policy guideline:
 - “The County will maintain a minimum Unassigned Fund Balance level of 15% of the County’s Governmental Expenditures”.

- In Fiscal Year 2025, the County’s total Fund Balance increased by roughly \$3.1 million. However, this increase in total Fund Balance is largely driven by the impact of the \$5 million BAN from FY 2025.

- The County is in compliance with its Unassigned Fund Balance policy.

- Fund Balance is arguably the most important financial metric, and it signals to outside lenders/investors the financial strength of a locality.

Note: Governmental Expenditures are defined as expenditures for the General and School Operating Funds, net of the Local Government Contribution to the School Operating Fund.



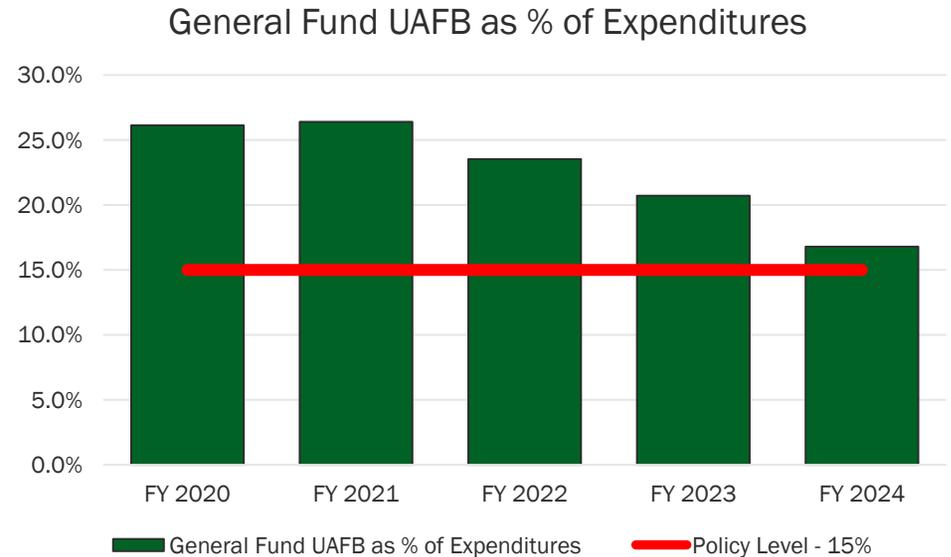
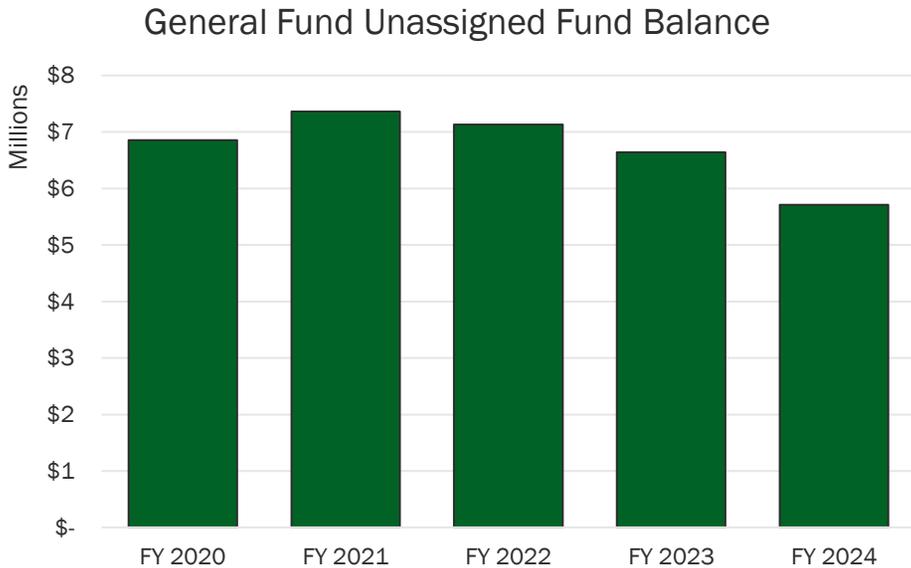
Why an Unassigned Fund Balance is Important

- 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.

General Fund – Unassigned Fund Balance



“The County will maintain a minimum Unassigned Fund Balance level of 15% of the County’s Governmental Expenditures.”



Fiscal Year	General Fund Unassigned Fund Balance	Governmental Expenditures ⁽¹⁾	General Fund UAFB as % of Expenditures
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%
2024	5,707,725	34,012,016	16.8%

Source: County Audit.

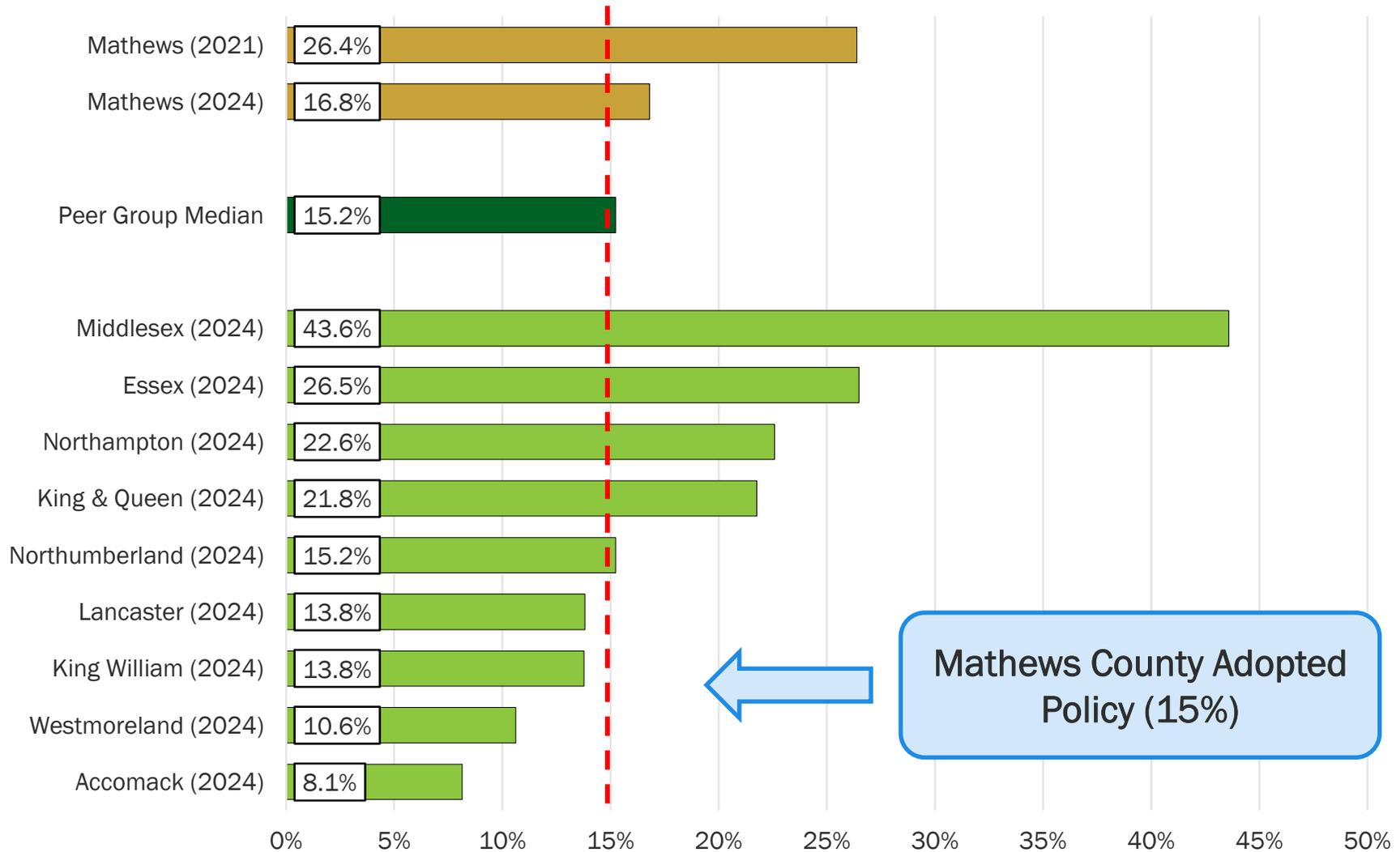
Note: “UAFB” = Unassigned Fund Balance.

(1) Governmental Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less local transfer to Schools.

GF Unassigned Fund Balance as a % of Govt. Expenditures



GF Unassigned Fund Balance as % of Governmental Expenditures



Source: Most Recently Available Locality Audits.

Note: "GF" = General Fund; Governmental Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less local transfer to Schools.



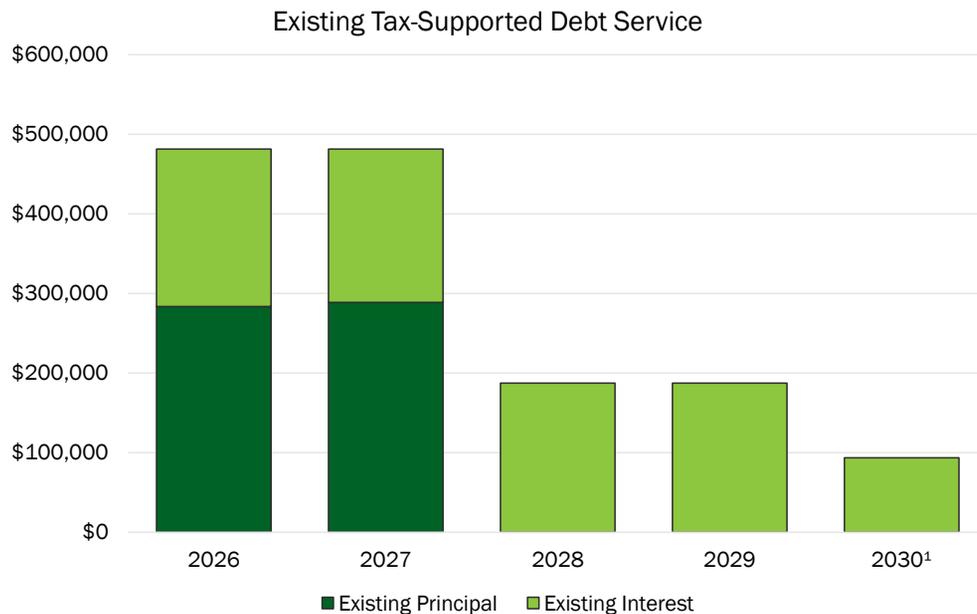
Tax-Supported Debt Management

Mathews County, Virginia



Existing Tax-Supported Debt Service

- The County has a recurring annual payment of \$294,017 related to the Radio System Financing in FY 2026 and FY 2027.
- In addition to the Radio System Financing, the County’s \$5 million 2024 BAN is also outstanding. Interest only payments are due until final maturity in Fiscal Year 2030.



Existing Debt Service

FY	Principal	Interest	Total
Total	\$ 572,109	\$ 859,675	\$1,431,784
2026	283,433	198,084	481,517
2027	288,676	192,841	481,517
2028	-	187,500	187,500
2029	-	187,500	187,500
2030 ¹	-	93,750	93,750

Source: Davenport Debt Model.

(1) FY 2030 excludes a \$5 million principal payment at maturity associated with the 2024 BAN. Davenport has included the term out of the 2024 BAN in the presentation herein.



Key Debt Ratios

- The County adopted Financial Policy Guidelines on August 15th, 2024 related to the following industry-wide Key Debt Ratios:

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

- *Outstanding Tax-Supported Debt as a Percentage of Total Assessed Value of Taxable Property shall not exceed 2.5%.*

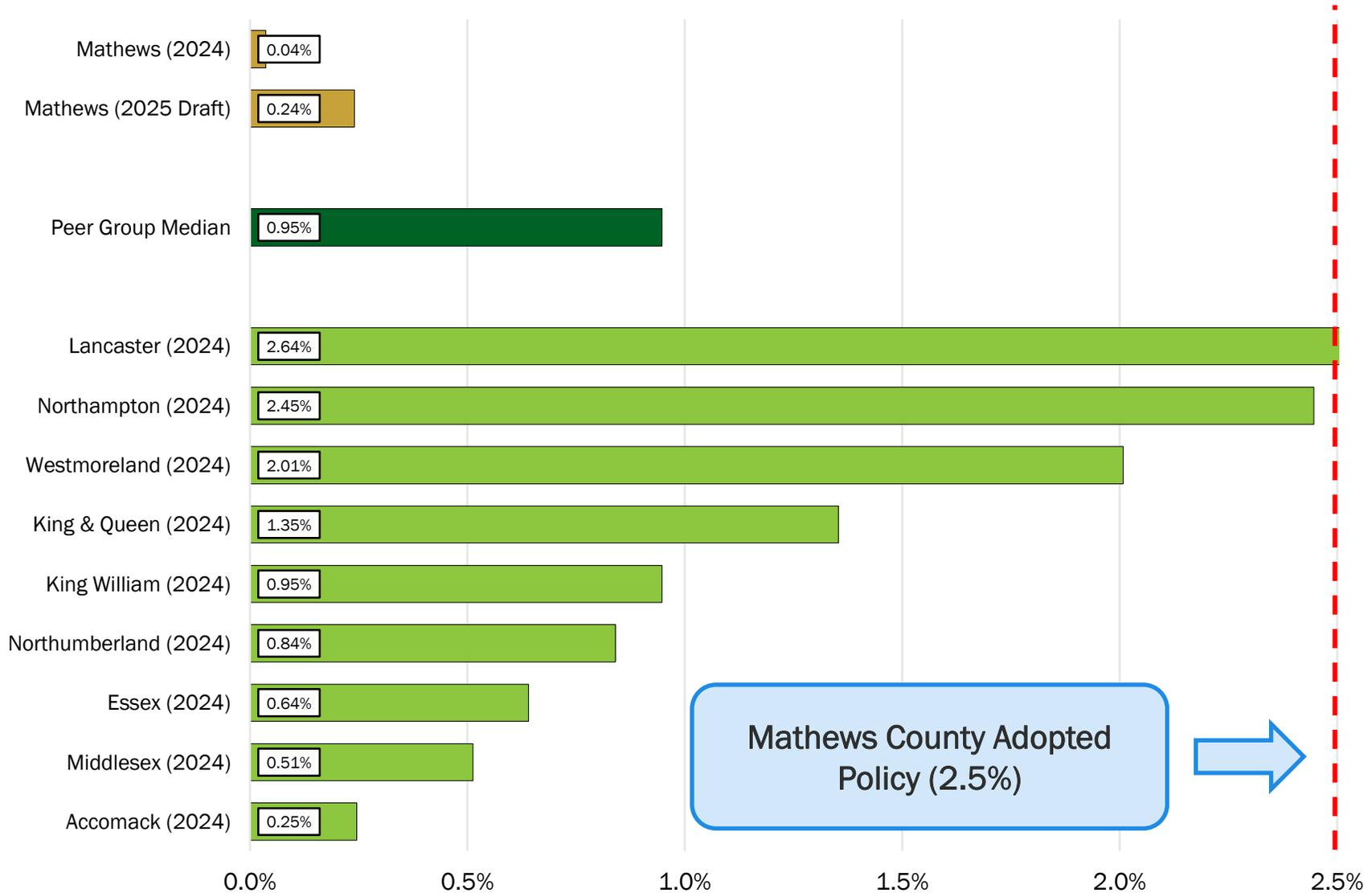
2. Debt Service vs. Expenditures (Debt Affordability):

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

Peer Comparison – Existing Debt vs. Assessed Value



Debt Outstanding vs. Assessed Value

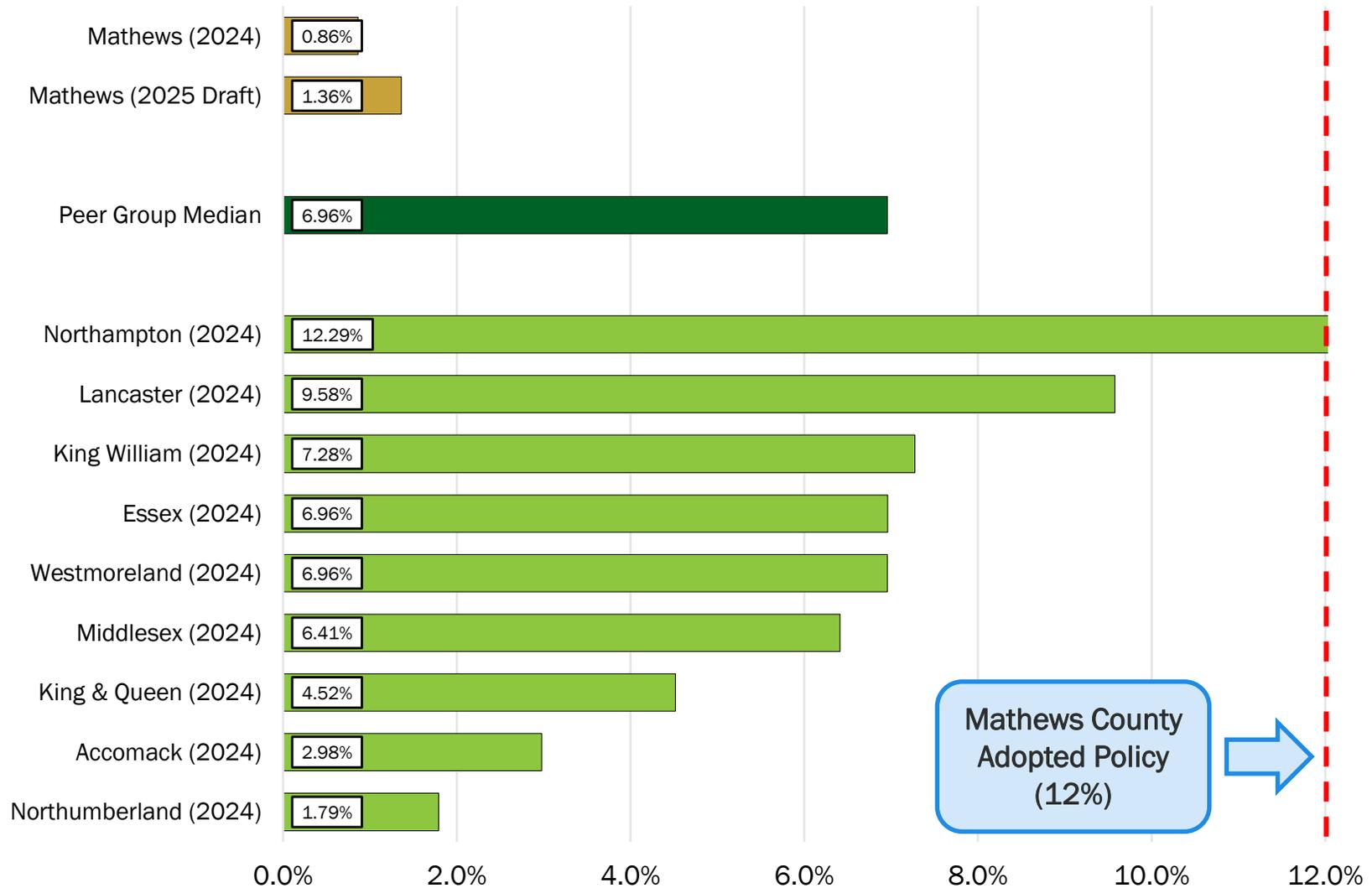


Source: Respective Locality Audits.

Peer Comparison – Debt Service vs. Govt. Expenditures



Debt Service vs. Governmental Expenditures



Source: Respective Locality Audits.

Note: Governmental Expenditures is General Fund Expenditures plus School Operating Funds less Local Government Contribution.



Proposed Issuance of 2026 Financing

- In FY 2025, the County issued \$5 million via the 2024 BAN for the Debt Funded CIP projects contemplated for FY 2026.
- The Final Maturity for the 2024 BAN is in FY 2030 at which time principal will be due in full. The planning herein contemplates permanently financing the \$5 million BAN in concert with the approximately \$7 million of new CIP needs detailed below:

Project	Amount
Mathews Volunteer Fire Department	\$ 3,150,000
Mathews County Public Schools	2,097,323
Facilities & Grounds	565,000
Technology	500,000
Mathews Volunteer Rescue Squad	200,000
Mathews Sheriff's Department	169,190
Public Infrastructure	150,000
Public Access/Waterways Management	100,000
Total	\$ 6,931,513

- Altogether, the total financing is approximately \$12 million.



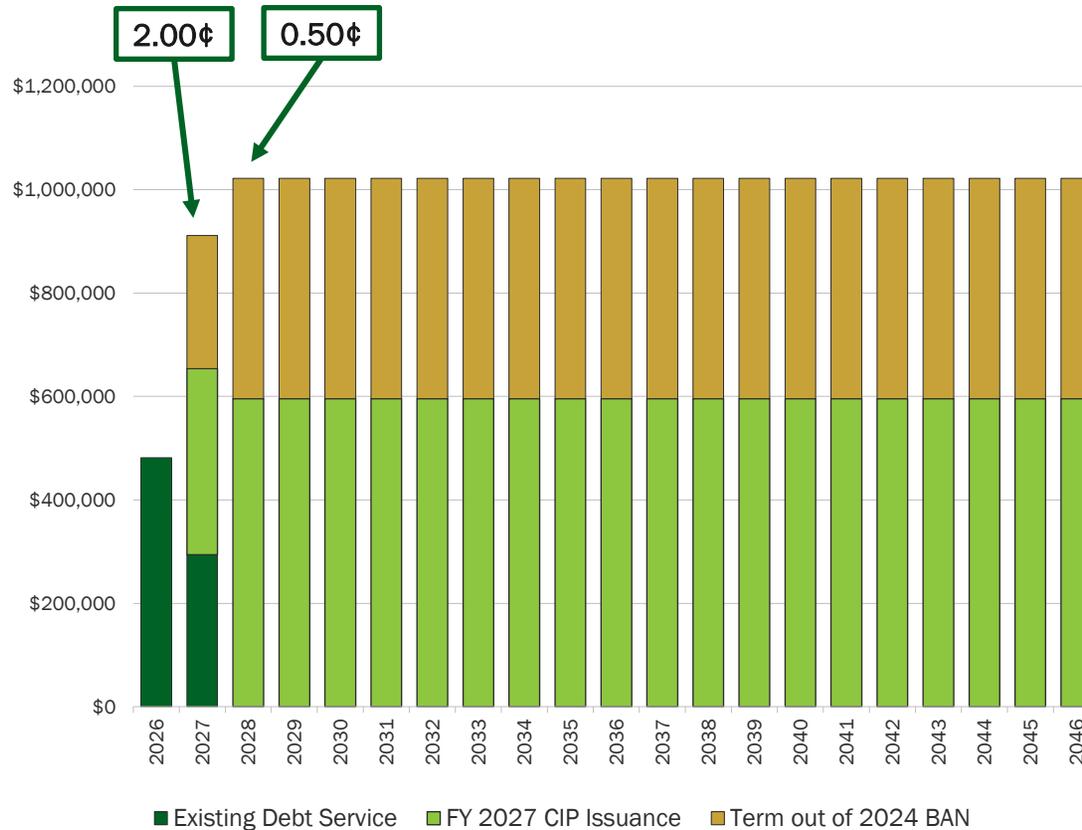
Key Assumptions

- Below, please find the key assumptions Davenport utilized in calculating the impact of the \$12 million borrowing:
 - Issuance closing by the end of the Fiscal Year 2026;
 - Estimated Planning Interest Rate of 5%; and,
 - Structuring of 1-year Interest Only and 19-years of Principal Amortization (20-year term).



Proposed Debt Service Impact

- The below chart incorporates the following:
 - Existing Debt Service;
 - \$7 million for Capital Projects associated with the FY 2027 CIP; and,
 - \$5 million Term-Out of the Lease Revenue Bond Anticipation Note, Series 2024 (the “2024 Note”).
- The proposed issuance would require a Real Estate Penny Equivalent Increase of approximately 2.50¢.



Note: Penny Value utilized in the analysis herein is \$210,600.

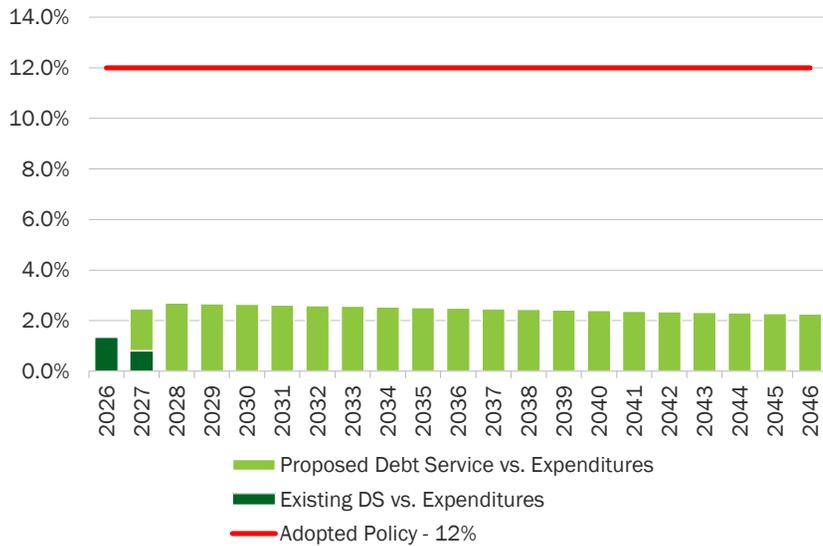
Proposed Debt Service

Adopted Debt Management Policies



- Below, Davenport has presented the impact of the proposed debt on the County's Financial Policies.
- The County would stay in compliance with its Financial Policies if it issues the proposed debt.

Debt Service vs. Expenditures



6-Year CAGR	6.39%
Assumption for Analysis	1.00%
Current Expenditures ⁽¹⁾	\$35,743,442

Debt vs. Assessed Value



6-Year CAGR	5.48%
Assumption for Analysis	1.00%
Current Assessed Value ⁽¹⁾	\$ 2,327,418,064

Note: Governmental Expenditures is General Fund Expenditures plus School Operating Funds less Local Government Contribution.
 (1) Current Expenditures and Current Assessed Value are based on the FY 2025 Draft Audit.



Plan of Finance

Mathews County, Virginia



- As previously described in this presentation, the County, in concert with Davenport, plans to issue approximately \$12 million of permanent financing to fund the term-out of the 2024 BAN and the County's Fiscal Year 2027 CIP projects.

- Based on the financing amount and timing, Davenport has identified a Dual Track approach for the 2026 Financing contemplating a simultaneous procurement for a **competitive Direct Bank Loan process** and an application for an issuance through the **Virginia Resource Authority ("VRA") Pooled Financing Program**.
 - Note: A full schedule of Next Steps including various required actions of the respective Board(s) is enclosed.

- The Dual Track approach should result in obtaining the necessary funding by mid-April if a Bank Loan is selected or mid-May if VRA is selected.

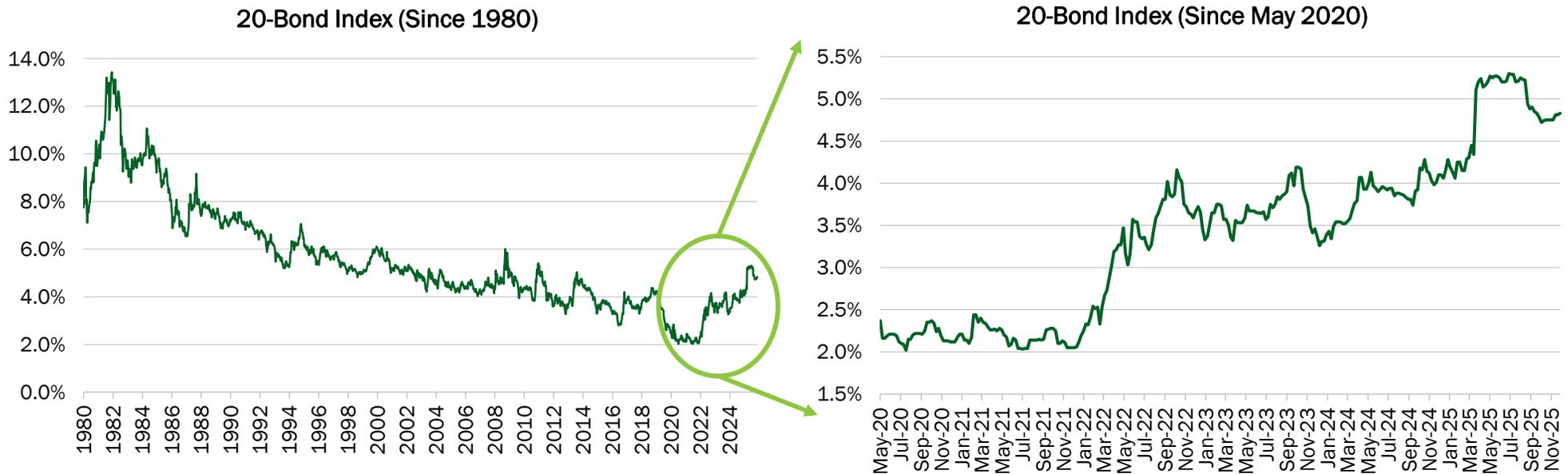


Dual Track Approach

- Davenport, on behalf of the County, will pursue a **Direct Bank Loan** and **VRA Pooled Financing Program** as potential sources of financing for the identified capital projects.
- Davenport will distribute a Request for Proposals (“RFP”) to solicit competitive interest rate proposals from local, regional, and national lending institutions.
- Following receipt of the proposals, the County will have the benefit of knowing the terms and conditions of the bank bids.
- Davenport will prepare an analysis of the bank proposals compared to estimates for the VRA Pooled Financing Program under a variety of market scenarios. At this point, Davenport will provide a recommended financing approach.
- If the bank loan is selected, the County can “lock-in” the terms and conditions of the winning proposal, and Davenport will advise on closing logistics/execution.
- If VRA is selected as the more favorable option, Davenport will assist the County in working through the due diligence process and advising on the successful execution of the transaction. *(Note: the interest rate will not be “locked-in” until VRA prices its bonds in the public credit markets, tentatively in late April).*



Interest Rate Environment | Tax-Exempt



Interest rates for tax-exempt borrowings are at historically favorable levels.

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 12/18/2025.

Next Steps



January 15th, 2026: Davenport to present informational Plan of Finance (no formal action required).

Competitive Solicitation of a Direct Bank Loan*

Timing	Action
[If necessary] Thursday, February 19	<p>Regularly Scheduled BOS Meeting:</p> <ul style="list-style-type: none"> BOS to authorize Davenport to move forward with the financing process. Note: Consider inviting EDA members to listen to the presentation for educational / informational purposes.
Friday, February 20	Davenport distributes Direct Bank Loan RFP to local, regional, and national banking institutions to solicit proposals for the 2026 Financing.
Wednesday, March 11	Direct Bank Loan responses due from banks.
Thursday, March 19	<p>Regularly Scheduled BOS Meeting:</p> <ul style="list-style-type: none"> Davenport presents comparative analysis of bank proposals and current market estimates for the VRA Spring Pool issuance. If Bank Loan is selected, BOS considers approval of the 2026 Financing and the winning bidder via financing documents provided by Bond Counsel.
[Date - TBD] On or after, March 19	<p>Special Called Economic Development Authority (“EDA”) Board Meeting:</p> <ul style="list-style-type: none"> If Bank Loan is selected, EDA considers approval of financing documents provided by Bond Counsel.
By Wednesday, April 15*	If Bank Loan is selected, Closing of the 2026 Financing. Funds in hand.

2026 VRA Spring Pool Financing*

Timing	Action
By Friday, February 6	Application due to VRA. <i>Note: Applying to VRA is not binding nor does it cost the County.</i>
Thursday, March 19	<p>Regularly Scheduled BOS Meeting:</p> <ul style="list-style-type: none"> Davenport presents comparative analysis of bank proposals and current market estimates for the VRA Spring Pool issuance. If VRA is selected, BOS considers approval of the VRA Spring Pool Financing, if applicable, via Financing Documents provided by Bond Counsel.
By Friday, March 20	VRA Local Approval due.
Tuesday, April 28	If VRA approach is selected, VRA Bond Sale Date through the public credit markets.
Tuesday, May 12	If VRA approach is selected, VRA tentative closing date. Funds in hand.

*Preliminary, subject to change.



Appendix

Mathews County, Virginia



Appendix A: School Capital Funding Opportunities

Mathews County, Virginia



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 passed by the Senate and the House of Delegates on February 19, 2025, with the legislation vetoed by the Governor on March 24, 2025. On April 2, 2025, the Senate sustained the Governor's veto.

- With new officials in Office in Virginia's General Assembly, it is anticipated that the additional 1% Local Sales Tax legislation will be brought up again in the near future.

- 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.

- 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). According to the analysis, \$500K to \$900K of the County's existing state sales tax would support a debt in the range of \$7 to \$15 million.



Appendix B: Historical Financials

Mathews County, Virginia

Historical Financials



	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Draft
General Fund Revenues	\$ 19,649,511	\$ 21,525,089	\$ 21,484,418	\$ 24,260,206	\$ 25,488,125	\$ 26,624,241
General Fund Expenditures ⁽¹⁾	(19,661,956)	(21,318,485)	(23,086,092)	(23,921,312)	(26,623,027)	(28,915,873)
Transfers In	88,565	146,091	130,000	744,462	-	367,000
Transfers Out	-	-	(217,472)	(15,508)	-	-
Other Financing Sources	-	-	1,456,908	-	43,452	5,040,271
Net Change in Fund Balance	\$ 76,120	\$ 352,695	\$ (232,238)	\$ 1,067,848	\$ (1,091,450)	\$ 3,115,639

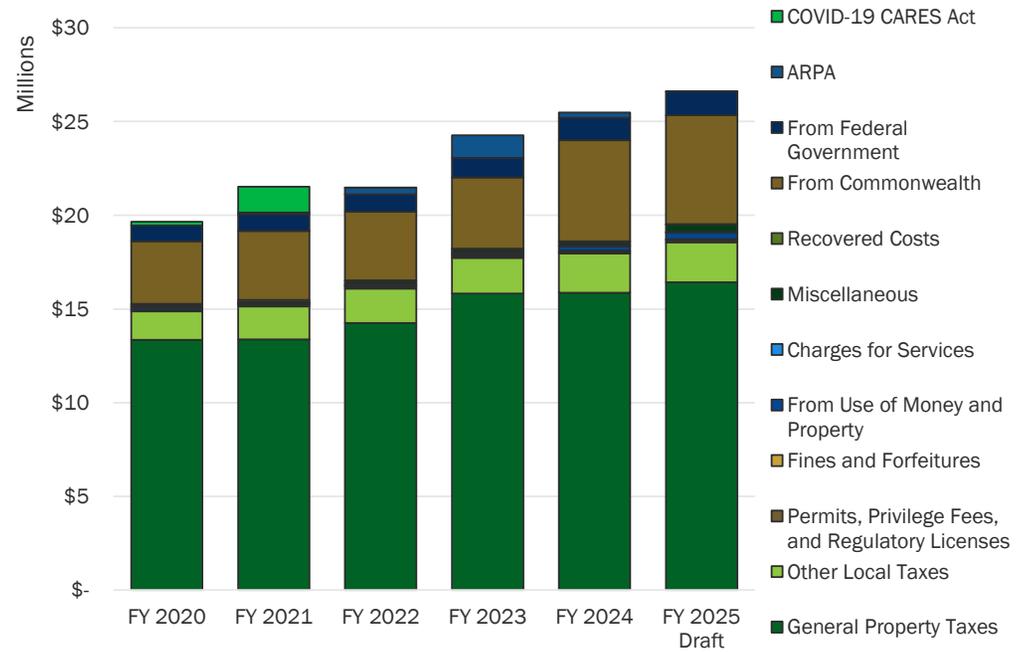
Note: "CAGR" means "Compounded Annual Growth Rate".

(1) General Fund Expenditures in the table include both capital projects and debt service.



General Fund Revenues – Historical Results

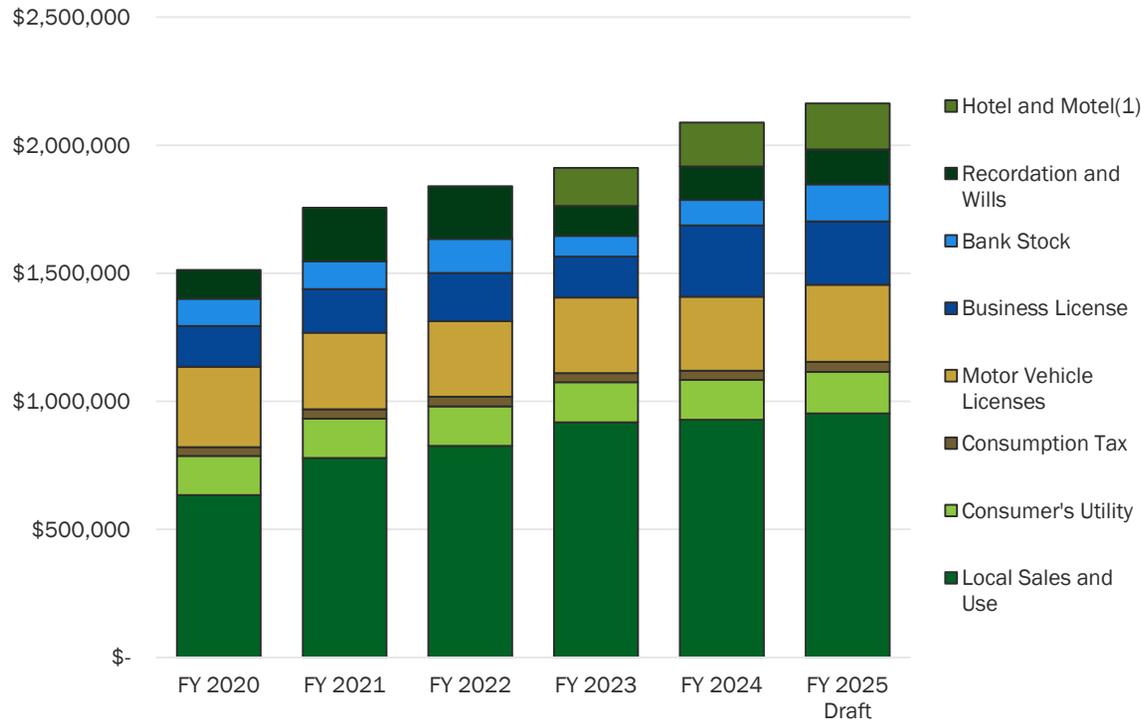
- In FY 2025, General Fund Revenues preliminarily grew approximately 5.0% compared to FY 2024 results.



General Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Draft
Revenues						
General Property Taxes	\$ 13,351,262	\$ 13,376,538	\$ 14,248,446	\$ 15,817,489	\$ 15,873,926	\$ 16,421,563
Other Local Taxes	1,513,470	1,756,247	1,840,119	1,910,735	2,088,345	2,139,661
Permits, Privilege Fees, and Regulatory Licenses	73,570	76,096	83,157	90,699	91,718	101,220
Fines and Forfeitures	42,535	45,618	68,729	86,785	67,219	69,349
From Use of Money and Property	116,903	50,209	48,505	72,828	230,629	333,662
Charges for Services	42,515	39,244	52,367	55,434	52,320	52,882
Miscellaneous	84,857	22,707	123,158	139,734	156,361	373,942
Recovered Costs	36,902	124,391	71,001	54,933	42,260	41,244
Intergovernmental:						
From Commonwealth	3,340,279	3,676,140	3,651,542	3,786,966	5,409,981	5,808,270
From Federal Government	854,028	892,394	934,297	1,056,554	1,191,819	1,264,469
ARPA	-	80,013	352,181	1,188,049	283,547	17,979
COVID-19 CARES Act	193,190	1,385,492	10,916	-	-	-
Total Revenues	\$ 19,649,511	\$ 21,525,089	\$ 21,484,418	\$ 24,260,206	\$ 25,488,125	\$ 26,624,241

Source: County Audits.

Other Local Tax Revenues – Historical Results



Other Local Taxes	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Draft
Local Sales and Use	\$ 633,773	\$ 778,207	\$ 825,922	\$ 917,934	\$ 927,590	\$ 952,177
Consumer's Utility	152,689	153,824	154,548	157,051	156,144	163,230
Consumption Tax	35,148	37,399	36,791	35,298	35,688	38,265
Motor Vehicle Licenses	313,553	298,725	295,260	295,402	289,834	301,345
Business License	158,108	170,279	188,312	159,447	277,693	247,772
Bank Stock	107,362	107,444	132,659	80,069	99,224	144,408
Recordation and Wills	112,837	210,369	206,627	118,090	131,219	135,567
Hotel and Motel ⁽¹⁾	-	-	-	147,444	170,953	180,000
Total	\$ 1,513,470	\$ 1,756,247	\$ 1,840,119	\$ 1,910,735	\$ 2,088,345	\$ 2,162,764

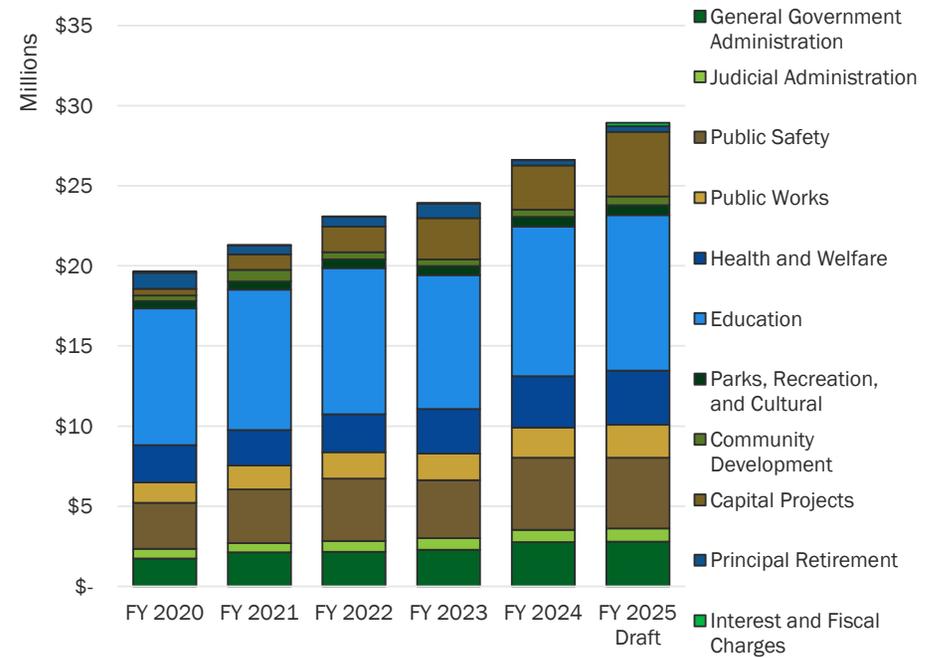
Source: County Audits.

(1) Prior to FY 2023, the County budgeted for Hotel and Motel Tax Revenue within General Property Taxes.



General Fund Expenditures – Historical Results

- Preliminary FY 2025 General Fund Expenditures (net of Capital Projects & Debt Service) grew approximately 3.5% compared to FY 2024.
- The County saw a significant increase in cash funded Capital Projects from approximately \$2.8 million to approximately \$4.0 million.



General Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Draft
Expenditures						
Current:						
General Government Administration	\$ 1,736,952	\$ 2,122,327	\$ 2,167,240	\$ 2,294,972	\$ 2,764,507	\$ 2,800,963
Judicial Administration	604,080	585,474	668,691	713,479	767,539	808,600
Public Safety	2,871,808	3,337,241	3,878,221	3,630,036	4,491,526	4,422,219
Public Works	1,264,875	1,493,607	1,656,920	1,651,113	1,873,390	2,046,317
Health and Welfare	2,339,464	2,213,478	2,367,457	2,779,534	3,212,819	3,381,686
Education	8,532,916	8,754,458	9,122,675	8,347,297	9,351,320	9,704,875
Parks, Recreation, and Cultural	454,598	523,066	546,477	572,158	596,093	615,768
Community Development	343,782	716,016	456,907	404,924	445,833	547,411
Capital Projects	411,745	973,544	1,589,750	2,580,653	2,774,272	4,040,214
Debt Service:						
Principal Retirement	1,001,600	535,000	591,955	906,352	322,410	332,509
Interest and Fiscal Charges	100,136	64,274	39,799	40,794	23,318	215,311
Total Expenditures	\$ 19,661,956	\$ 21,318,485	\$ 23,086,092	\$ 23,921,312	\$ 26,623,027	\$ 28,915,873

Source: County Audits.

Source: County Audits.



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