

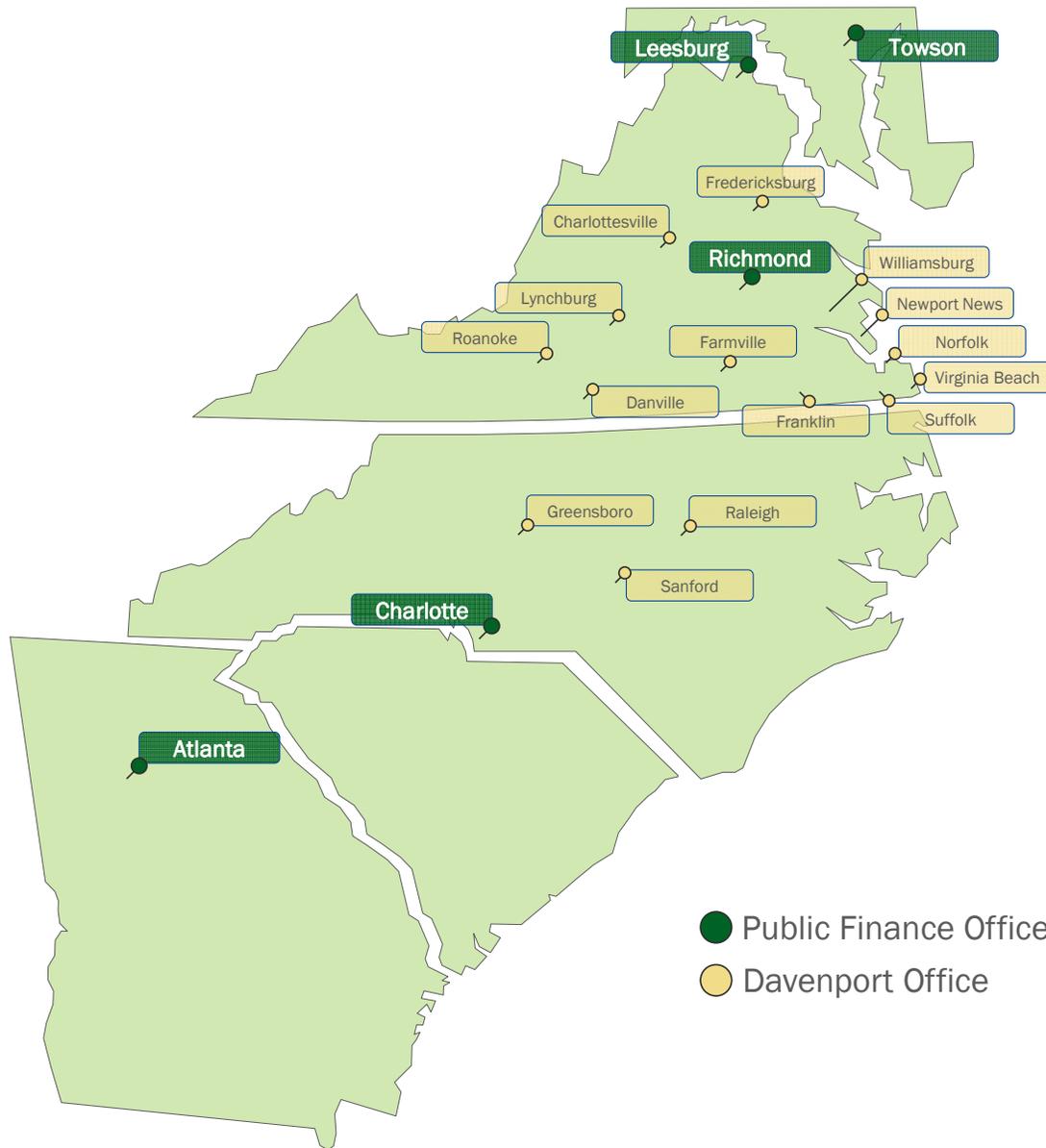
Mathews County, Virginia

Comprehensive Financial Review



December 20, 2022

Overview | Davenport & Company LLC



Founded in 1863 in Richmond, VA, Davenport recently celebrated its 159th 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

Overview | Davenport Public Finance



- 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

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A. Introduction/Executive Summary/ Next Steps

Mathews County, Virginia



Introduction

- Davenport, in our role as Financial Advisor to Mathews County (the “County”), was asked to prepare a Comprehensive Financial Review for the County’s overall financial condition.
- Historically, in Spring of 2014, Davenport advised the County on a refinancing of \$1.7 million of outstanding debt that achieved roughly \$90,000 in debt service savings over the life of the loan or 5.24% Net Present Value Savings (e.g. 3.00% Net Present Value Savings is considered the industry standard for a “successful” refinancing).
- At this time, the County is in the preliminary planning stages for a series of upcoming capital projects for the General Fund that include, amongst others, a Fire Station, ERP System and a Maintenance Building.
- 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;
 - Provide a Peer Comparative Analysis of key financial and demographic metrics between the County and similar localities;
 - Present a preliminary debt capacity and affordability analysis to evaluate the County’s ability to fund its identified capital needs in a financially responsible manner; and
 - Outline a preliminary Plan of Finance for the project(s) including a recommended funding strategies.



Executive Summary

1. Current Financial Status of the County

- a. The County compares favorably to other peer Virginia Counties and highly rated National Medians with respect to key demographic and economic indicators.
- b. While these demographic and economic indicators aren't directly within the County's immediate control, they are important to outside lenders/rating agencies/investors when deciding whether to lend to or otherwise invest in the County.
- c. Based on the past five years of audited financial statements, the County has had solid cash-flow in the General Fund which has provided the flexibility to cash-fund most of its General Fund capital needs during the prior five year period.
- d. The County's General Fund revenues are reliant on Property Taxes, which is common for counties like Mathews in Virginia.



Executive Summary (cont.)

1. Current Financial Status of the County (cont.)

- e. The County has a healthy Unassigned Fund Balance Level. The County does not maintain any formal/ Board-adopted Fund Balance Policies*. (Davenport will be recommending that the County memorialize a policy to safeguard the future.)
- f. Per the County's 2021 Audit, the Unassigned Fund Balance was roughly 26% of General Government Expenditures.
- g. The County's Unassigned Fund Balance is critical for a variety of reasons including (but not limited to) providing an ample buffer against potential revenue volatility in a downturn and helping the County to maximize its capital funding potential while minimizing the associated need for recurring revenues.
- h. The County has highly competitive Real Estate and Meals Tax Rates relative to peer Local Governments.
- i. The County's existing debt is relatively modest and is paid down quickly.

*Note: The County's 2021 Audit notes that the County: "strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to or greater than 10% of general fund expenditures."



Executive Summary (cont.)

2. Financial Policies

- a. Given that the County has no formal Adopted Financial Policy Guideline related to Unassigned Fund Balance, Davenport recommends the County consider formally adopting a Financial Policy to maintain Unassigned Fund Balance at a minimum of 20% of General Government Expenditures.
 - 1. The County is already in excess of this level as of FY 2021.

- b. The County may also consider adding additional Financial Policy Guidelines related to debt, including:
 - 1. Debt Service vs. Governmental Expenditures; and
 - 2. Debt vs. Assessed Value.

- c. It is a prudent practice to review and update (if necessary) the County's Financial Policies Guidelines every 3 to 5 years.



Executive Summary (cont.)

3. Capital Funding

- a. The County has a variety of identified capital needs that will be required in order to maintain and enhance the capital infrastructure in the County. For purposes of analysis, Davenport has assumed this amounts to approximately \$17 million over the next five years.
- b. Within the roughly \$17 million, the County has identified a potential financing for a new Fire Station (the “Fire Station Project”) estimated at roughly \$4.5 million.
- c. The Fire Station Project is a “generational” project in that it will benefit residents and tax payers of the County for the long-term. The County may consider borrowing for the Fire Station Project over a 20 to 40 year term.

Additionally – although interest rates have increased from their historical lows this calendar year, they are still favorable which reduces the cash-flow burden related to the Fire Station and other projects.

- d. The County anticipates that the \$17 million of capital needs will be funded by a combination of Grants (62%), Debt funding (16%), Meals Tax (10%), Cash funding (7%) and American Rescue Plan (5%)*.



Executive Summary (cont.)

3. Capital Funding (cont.)

- e. In addition, the County may consider setting aside monies annually to fund required vehicle and equipment replacement.

- f. Due to the current inflationary environment, projects as identified in the County's adopted CIP may come in over budget which could require some form of additional recurring revenue to responsibly fund such projects.

- g. To the extent that it is necessary in the future, Davenport has assumed that additional/potential recurring revenues are benchmarked to the following: Real Estate Tax, Meals Tax, and/or Personal Property Tax.

- h. However, based on current estimates, Davenport's analysis has found that there is no additional revenue requirements needed to fund the identified capital projects.

- i. The source and magnitude of additional revenues, if any, would be at the discretion of the County Board of Supervisors.



Next Steps

- Tuesday, December 20, 2022
Davenport to present an Executive Overview of the Comprehensive Financial Review to the Board of Supervisors.

- Balance of December, 2022
County Staff/Board to provide any additional feedback.

- Early Calendar Year 2023
 1. The County prepares proposed FY 2024 Budget.

 2. The County considers adopting new recommended financial policies.

 3. Davenport and the County develop a Capital Plan of Finance for the Fire Station and any other identified financing needs.

 4. In concert with the County Treasurer, Davenport and the County review investment management policies and strategies for County funds.



Next Steps (cont.)

- Spring, Calendar Year 2023

1. The County adopts FY 2024 Budget.
2. The County moves forward with the Plan of Finance for the Fire Station and other identified capital projects.
3. The County, in concert with the Treasurer, enacts financial/investment management policies and strategies etc.

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B. Peer Comparison / Demographic Profile

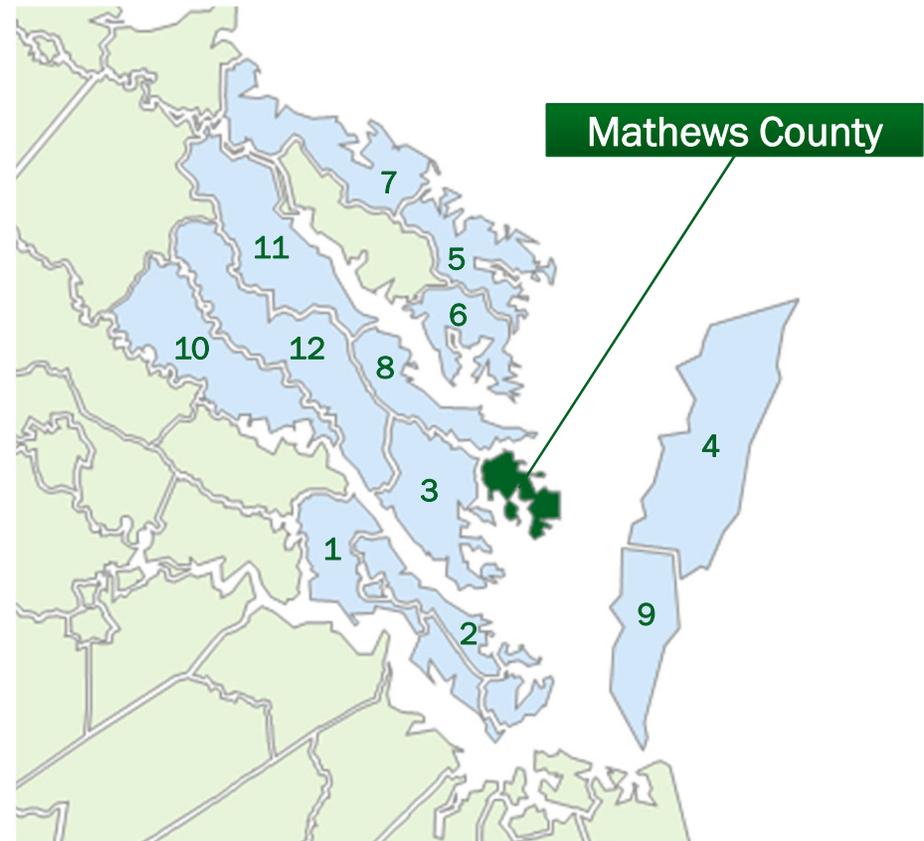
Mathews County, Virginia



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.

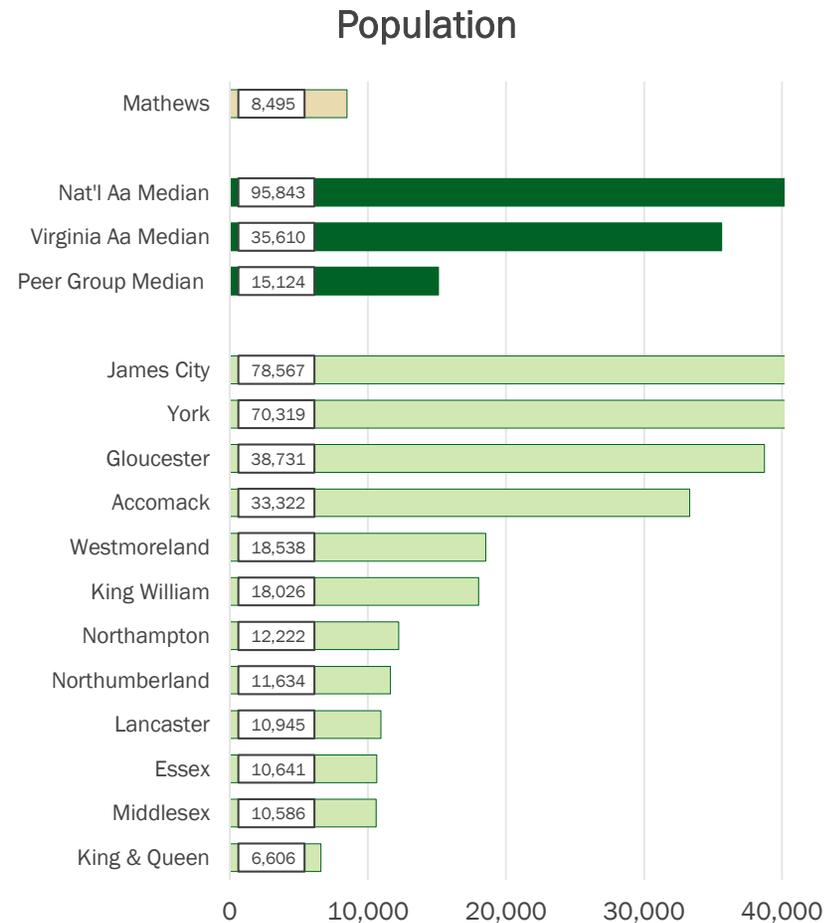
	County
1	James City
2	York
3	Gloucester
4	Accomack
5	Northumberland
6	Lancaster
7	Westmoreland
8	Middlesex
9	Northampton
10	King William
11	Essex
12	King & Queen



Peer Comparative – Population



Locality	Population (ACS Data)
Mathews	8,495
Nat'l Aa Median	95,843
Virginia Aa Median	35,610
Peer Group Median	15,124
James City	78,567
York	70,319
Gloucester	38,731
Accomack	33,322
Westmoreland	18,538
King William	18,026
Northampton	12,222
Northumberland	11,634
Lancaster	10,945
Essex	10,641
Middlesex	10,586
King & Queen	6,606

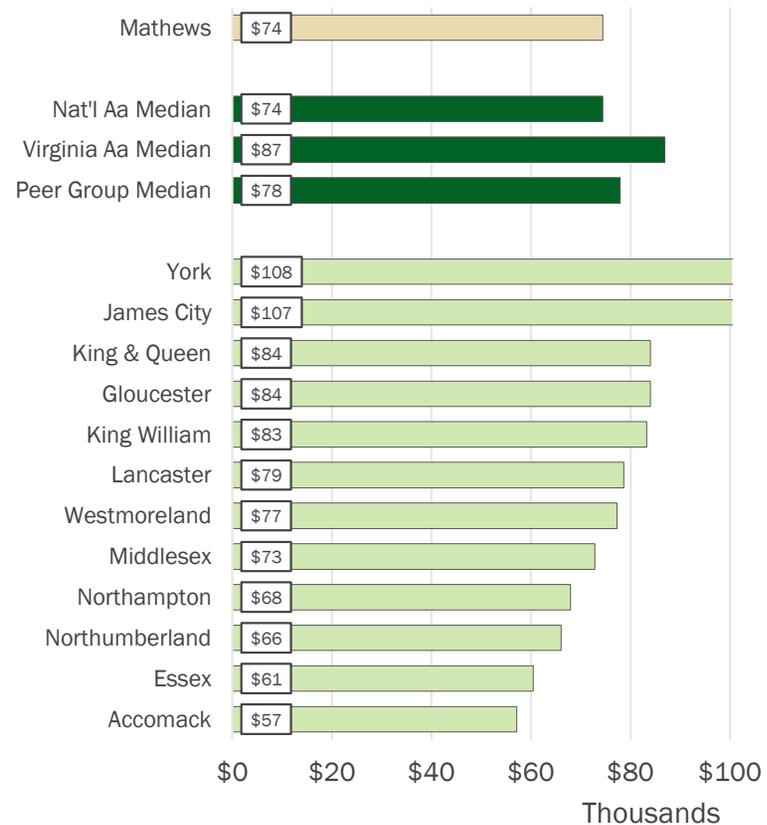




Peer Comparative – Median Family Income

Locality	Median Family Income (ACS Data)
Mathews	\$74,489
Nat'l Aa Median	74,470
Virginia Aa Median	86,871
Peer Group Median	77,952
York	107,790
James City	107,443
King & Queen	84,036
Gloucester	84,008
King William	83,297
Lancaster	78,648
Westmoreland	77,256
Middlesex	72,850
Northampton	67,926
Northumberland	66,061
Essex	60,506
Accomack	57,143

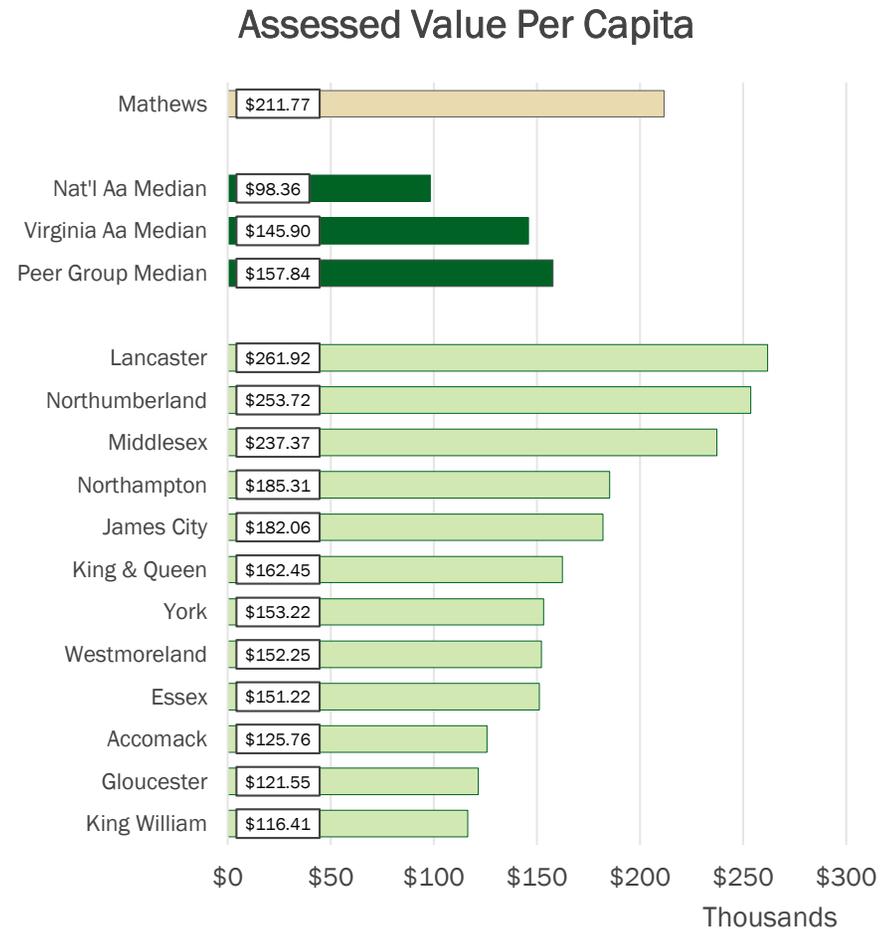
Median Family Income (ACS Data)





Peer Comparative – Assessed Value Per Capita

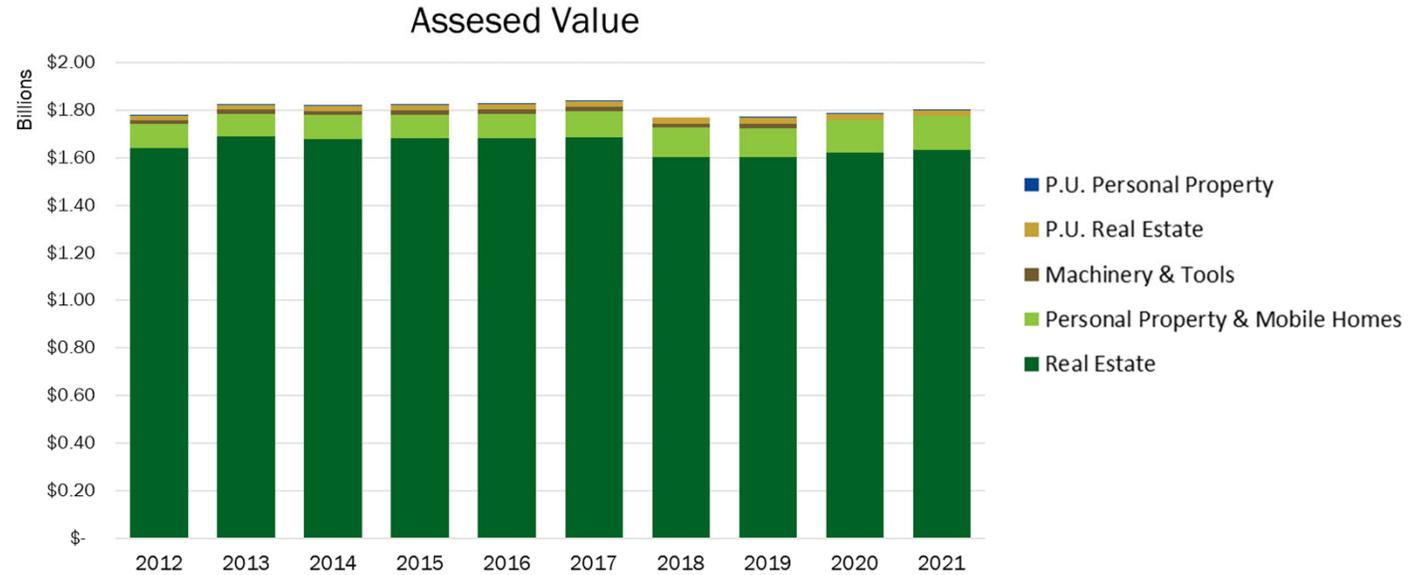
Locality	Assessed Value Per Capita
Mathews	\$211,770
Nat'l Aa Median	98,357
Virginia Aa Median	145,897
Peer Group Median	157,835
Lancaster	261,921
Northumberland	253,720
Middlesex	237,373
Northampton	185,309
James City	182,056
King & Queen	162,446
York	153,224
Westmoreland	152,248
Essex	151,224
Accomack	125,758
Gloucester	121,555
King William	116,406





Assessed Value – Historical Trends

- The next planned reassessment is scheduled to take affect for FY 2024.



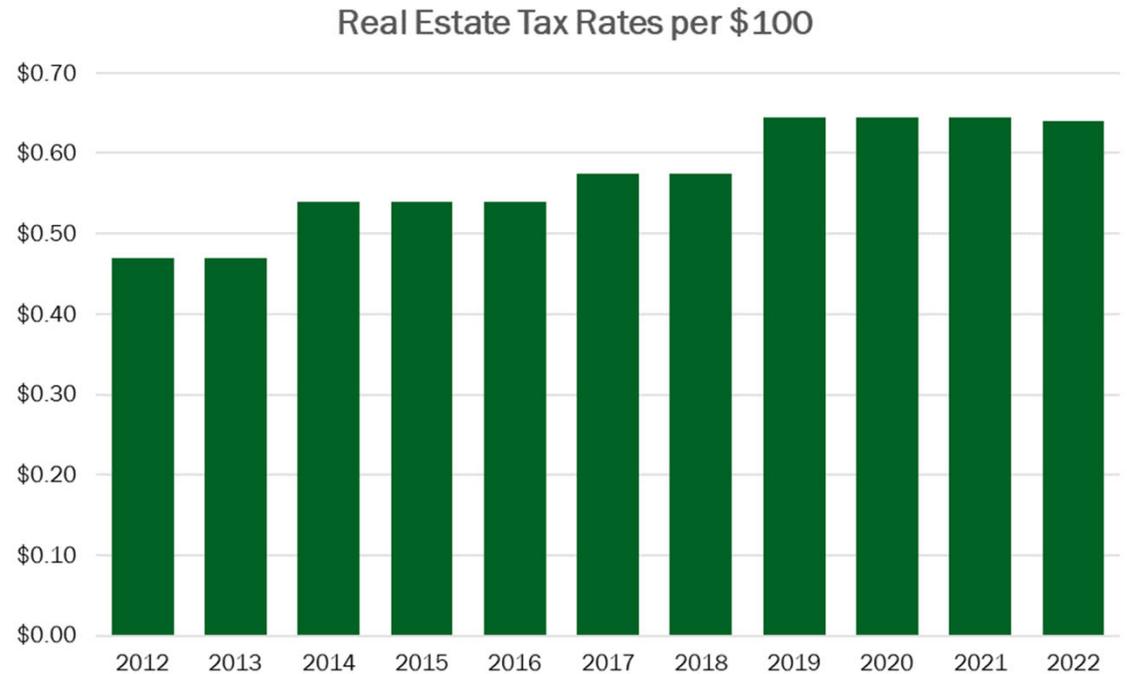
Assesed Value of Taxable Property								
FY	Real Estate	Personal Property & Mobile Homes	Machinery & Tools	Public Utility		Total	% Growth	
				Real Estate	Personal Property			
2012	\$ 1,640,724,165	\$ 100,150,365	\$ 15,810,352	\$ 19,419,122	\$ 26,572	\$ 1,776,130,576	0.17%	
2013	1,687,485,370	97,469,238	15,685,119	19,419,119	280,556	1,820,339,402	2.49%	
2014	1,676,588,104	101,579,544	15,856,646	22,828,636	5,216	1,816,858,146	-0.19%	
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%	
5-Year CAGR	-0.75%	6.29%	-23.13%	0.16%	n/a	-0.43%		
10 Year CAGR	-0.05%	3.85%	-9.60%	2.50%	n/a	0.18%		



Real Estate Tax Rates

- The County has historically incrementally increased its Real Estate Tax Rate.
- FY 2022 is the first time in the last decade in which the County decreased its Real Estate Tax Rate.

Fiscal Year	Real Estate Tax Rate
2012	\$0.470
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

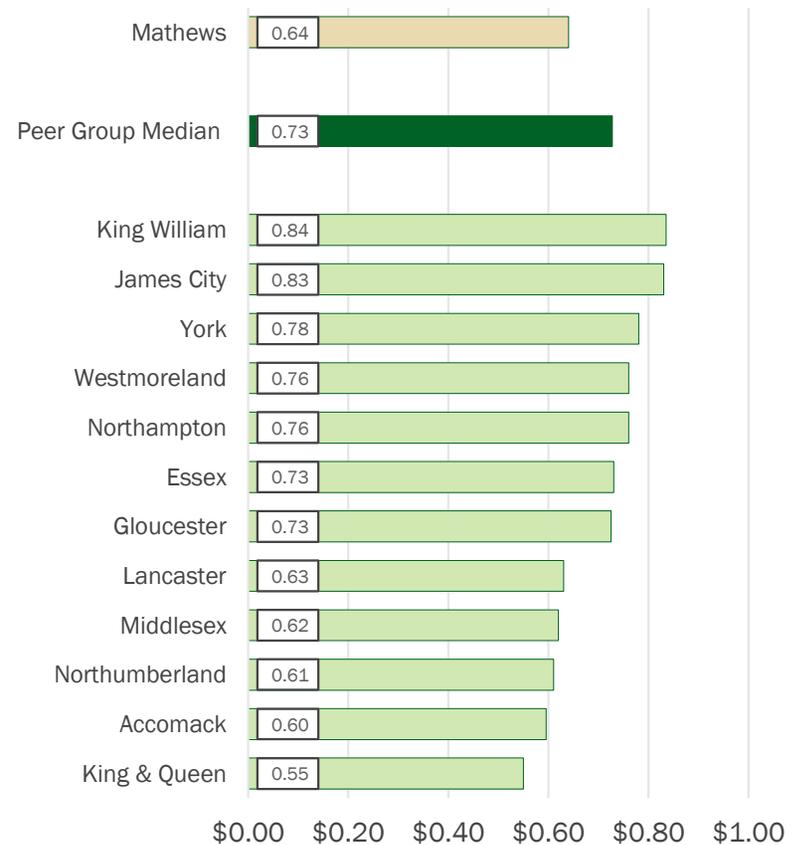




Peer Comparative – Real Estate Tax Rate

Locality	Real Estate Tax Rate
Mathews	\$0.640
Peer Group Median	0.728
King William	0.835
James City	0.830
York	0.780
Westmoreland	0.760
Northampton	0.760
Essex	0.730
Gloucester	0.725
Lancaster	0.630
Middlesex	0.620
Northumberland	0.610
Accomack	0.595
King & Queen	0.550

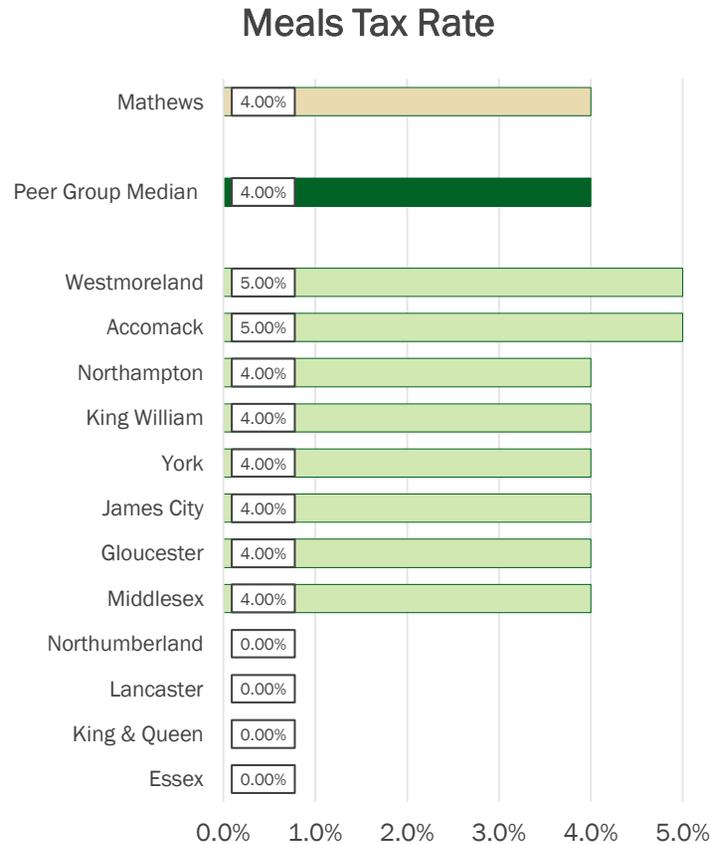
Real Estate Tax Rate





Peer Comparative – Meals Tax Rate

Locality	Meals Rax Rate
Mathews	4.00%
Peer Group Median	4.00%
Westmoreland	5.00%
Accomack	5.00%
Northampton	4.00%
King William	4.00%
York	4.00%
James City	4.00%
Gloucester	4.00%
Middlesex	4.00%
Northumberland	0.00%
Lancaster	0.00%
King & Queen	0.00%
Essex	0.00%





C. Historical General Fund Financials

Mathews County, Virginia



- As is shown on the following page, the County’s General Fund has produced an annual surplus in 4 of the past 5 fiscal years (FY2017 – FY2021).

- As a result of the surpluses referenced above, the County has had the ability to continue increasing its Unassigned Fund Balance.
 - Currently, the County’s Unassigned Fund Balance is in solid shape when compared to General Governmental Expenditures (i.e. roughly 26% in FY 2021).

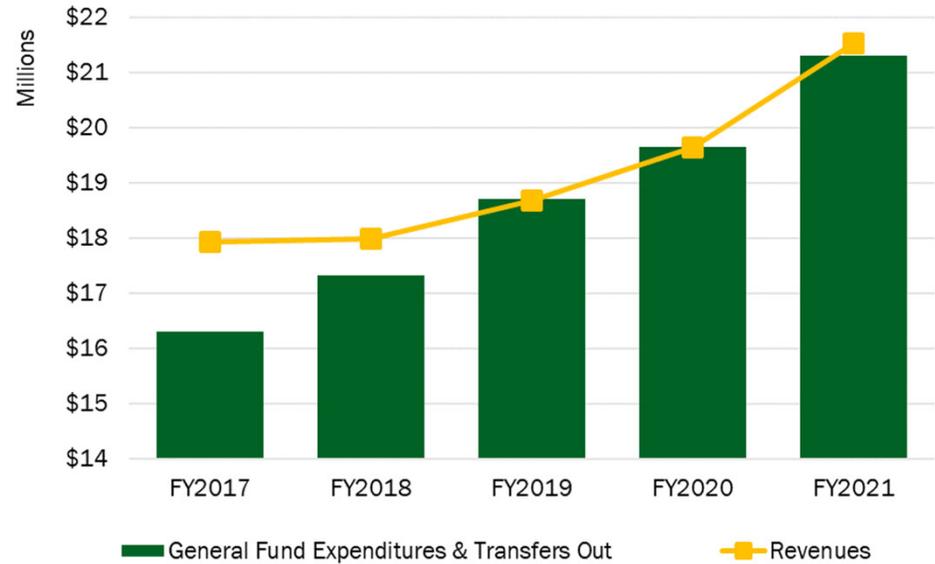
- In both the County’s Adopted FY 2022 Budget and Amended FY 2023 Budget, the County is anticipating to use Fund Balance for specific one-time purposes.
 - It will be important to compare FY 2022 year-end results, when available, to the Adopted FY 2022 Budget in order to assess current recurring revenues vs. expenditures as well as FY 2022 year-end fund balance levels.



Historical Financials

- While the County has produced a surplus in 4 of the 5 past years, the modest surplus in 2020 and 2021 were impacted by substantial one-time federal CARES Act/ARPA funds.

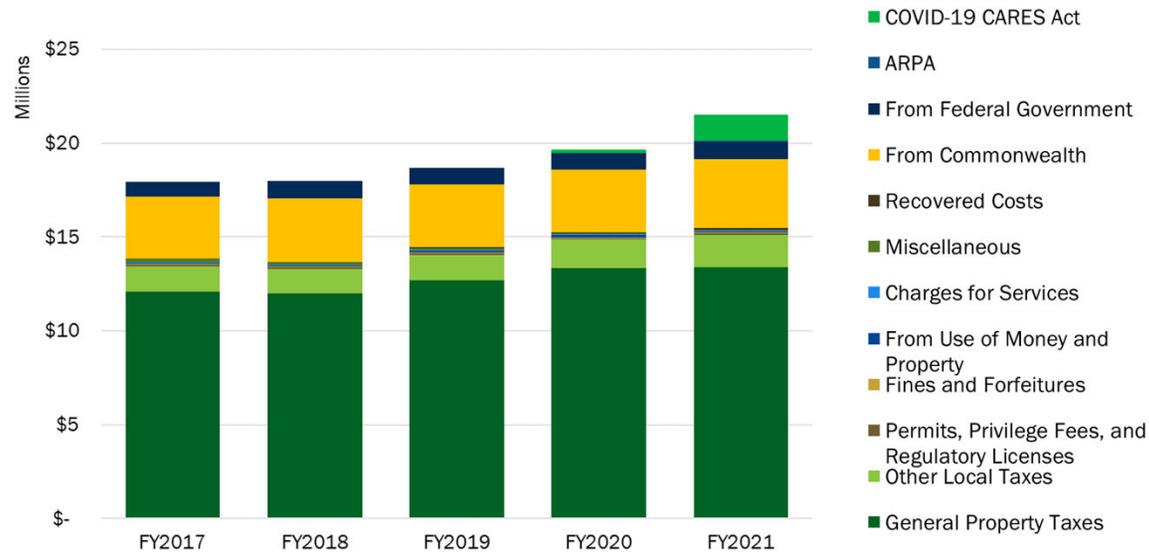
Historical Operating Performance



	FY2017	FY2018	FY2019	FY2020	FY2021	5 Year CAGR
General Fund Revenues	\$ 17,943,944	\$ 17,989,358	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089	4.65%
General Fund Expenditures	(16,304,304)	(17,332,475)	(18,705,293)	(19,661,956)	(21,318,485)	6.93%
Transfers In	-	-	3,593	88,565	146,091	n/a
Transfers Out	(392,100)	(112,930)	(17,992)	-	-	n/a
Operating Result	\$ 1,247,540	\$ 543,953	\$ (33,909)	\$ 76,120	\$ 352,695	

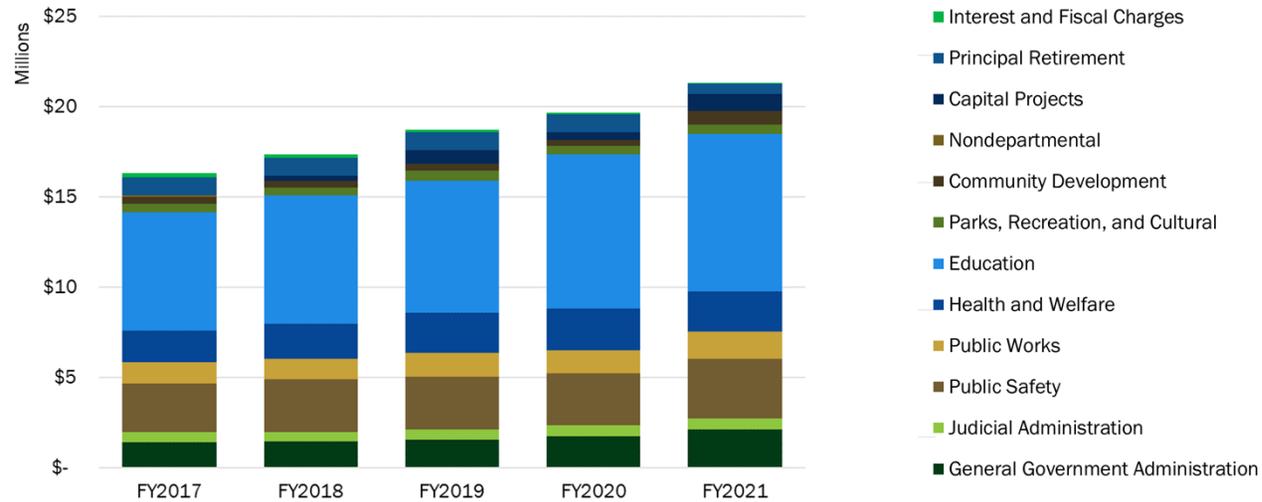


General Fund Revenues – Historical Results



General Fund	FY2017	FY2018	FY2019	FY2020	FY2021	5 Year CAGR
Revenues						
General Property Taxes	\$ 12,081,391	\$ 11,976,884	\$ 12,687,041	\$ 13,351,262	\$ 13,376,538	2.6%
Other Local Taxes	1,353,481	1,312,326	1,372,877	1,513,470	1,756,247	6.7%
Permits, Privilege Fees, and Regulatory Licenses	94,182	84,989	87,209	73,570	76,096	-5.2%
Fines and Forfeitures	44,806	47,613	54,428	42,535	45,618	0.5%
From Use of Money and Property	72,560	79,506	84,889	116,903	50,209	-8.8%
Charges for Services	36,549	46,918	45,403	42,515	39,244	1.8%
Miscellaneous	158,285	119,614	104,370	84,857	22,707	-38.5%
Recovered Costs	16,393	17,680	18,574	36,902	124,391	66.0%
Intergovernmental:						
From Commonwealth	3,315,098	3,365,748	3,346,123	3,340,279	3,676,140	2.6%
From Federal Government	771,199	938,080	884,869	854,028	892,394	3.7%
ARPA	-	-	-	-	80,013	
COVID-19 CARES Act	-	-	-	193,190	1,385,492	
Total Revenues	\$ 17,943,944	\$ 17,989,358	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089	4.7%
Annual Growth		0.3%	3.9%	5.2%	9.5%	
Revenue Growth w/o ARPA/CARES		0.3%	3.9%	4.1%	2.1%	

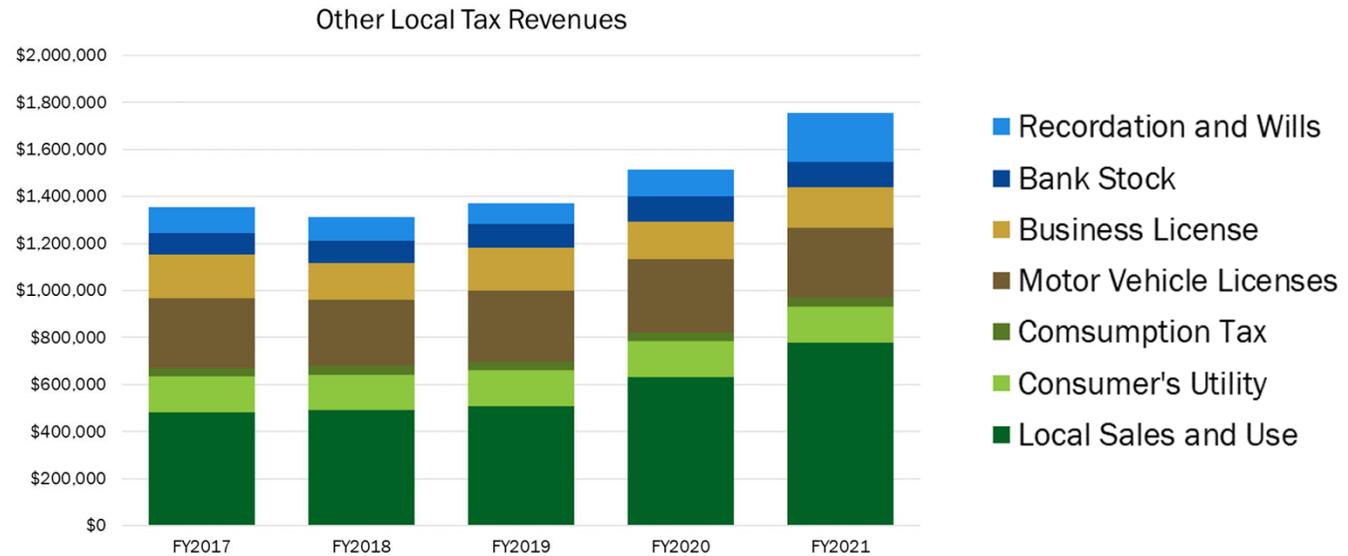
General Fund Expenditures – Historical Results



General Fund	FY2017	FY2018	FY2019	FY2020	FY2021	5 Year CAGR
Expenditures						
Current:						
General Government Administration	\$ 1,396,790	\$ 1,456,424	\$ 1,537,905	\$ 1,736,952	\$ 2,122,327	11.0%
Judicial Administration	554,889	527,875	587,202	604,080	585,474	1.4%
Public Safety	2,692,437	2,888,690	2,917,767	2,871,808	3,337,241	5.5%
Public Works	1,178,431	1,174,436	1,303,415	1,264,875	1,493,607	6.1%
Health and Welfare	1,767,509	1,901,680	2,234,166	2,339,464	2,213,478	5.8%
Education	6,579,284	7,122,664	7,314,893	8,532,916	8,754,458	7.4%
Parks, Recreation, and Cultural	433,791	437,507	564,295	454,598	523,066	4.8%
Community Development	394,098	367,857	354,516	343,782	716,016	16.1%
Nondepartmental	110,095					
Capital Projects	1,496	284,785	782,544	411,745	973,544	405.1%
Debt Service:						
Principal Retirement	956,275	991,102	970,300	1,001,600	535,000	-13.5%
Interest and Fiscal Charges	239,209	179,455	138,290	100,136	64,274	-28.0%
Total Expenditures	\$ 16,304,304	\$ 17,332,475	\$ 18,705,293	\$ 19,661,956	\$ 21,318,485	6.9%
Annual Growth		6.3%	7.9%	5.1%	8.4%	
Annual Growth w/o Capital ⁽¹⁾		5.1%	5.9%	7.9%	8.8%	



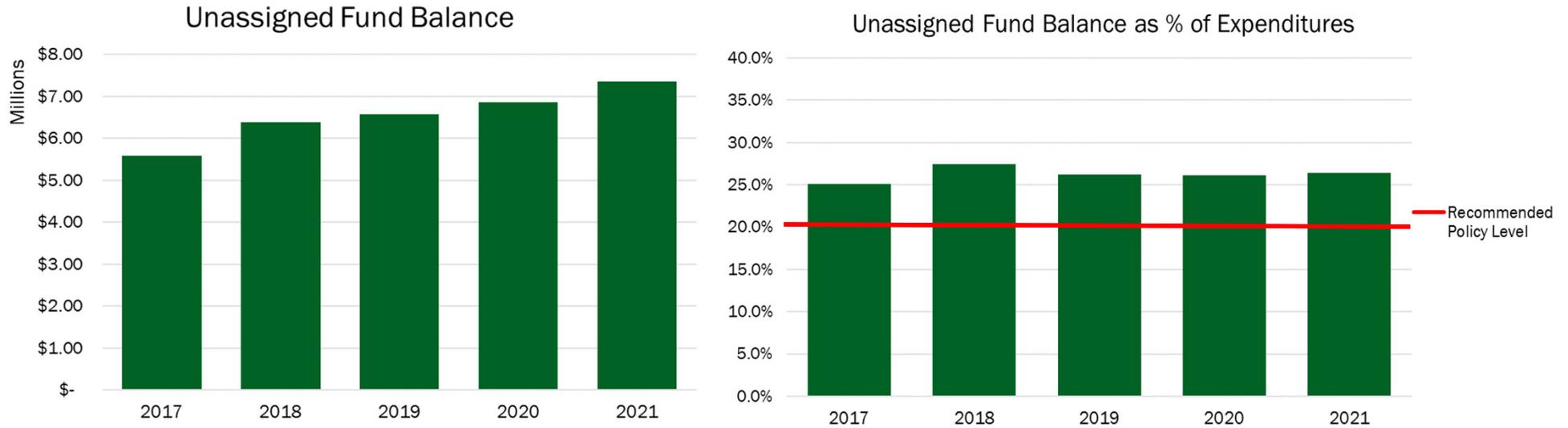
Other Local Tax Revenues – Historical Results



Summary of Other Local Tax Revenues						
Other Local Taxes	FY2017	FY2018	FY2019	FY2020	FY2021	5-Year CAGR
Local Sales and Use	\$483,614	\$491,242	\$508,533	\$633,773	\$778,207	10%
Consumer's Utility	151,482	152,101	152,448	152,689	153,824	0%
Consumption Tax	35,385	37,679	37,202	35,148	37,399	1%
Motor Vehicle Licenses	296,260	281,388	300,405	313,553	298,725	0%
Business License	185,650	153,798	184,942	158,108	170,279	-2%
Bank Stock	9,130	94,525	99,325	107,362	107,444	3%
Recordation and Wills	109,783	101,593	90,022	112,837	210,369	14%
Total	\$1,353,481	\$1,312,326	\$1,372,877	\$1,513,470	\$1,756,247	5%



Unassigned Fund Balance – Historical Results



FY	Unassigned Fund Balance	General Governmental Expenditures ⁽¹⁾	UAFB as % of Expenditures
2017	\$5,587,747	22,253,137	25.1%
2018	6,387,935	23,270,701	27.5%
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%



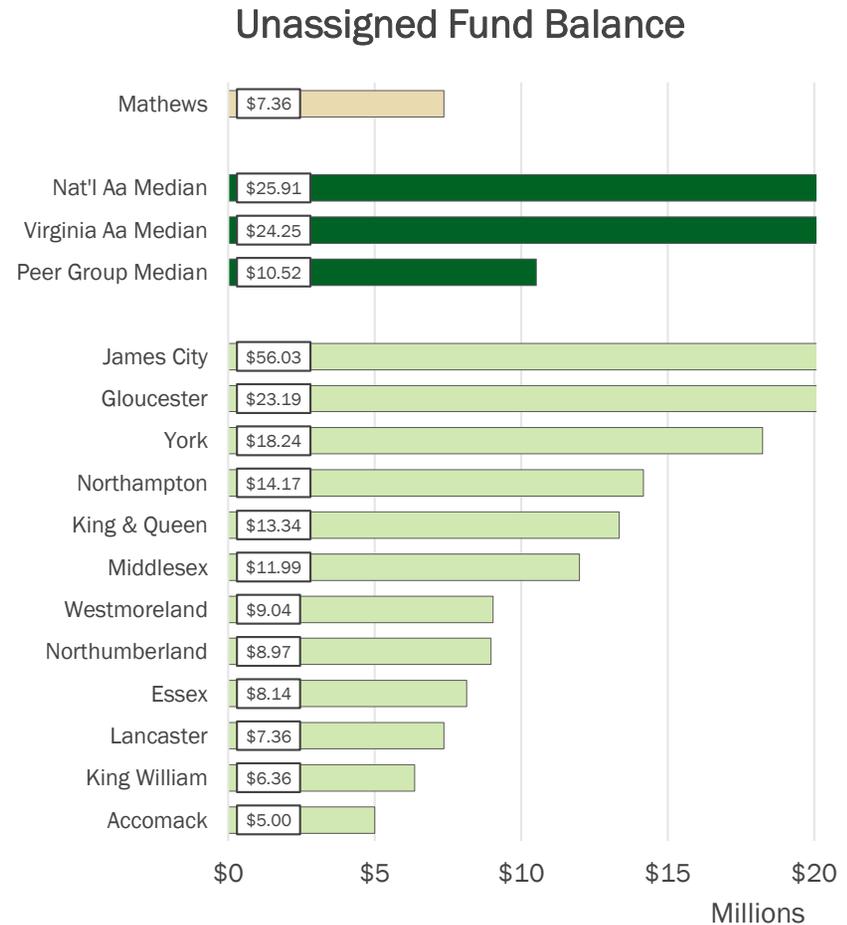
Why an Unassigned Fund Balance is Important

- 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.



Peer Comparison – Unassigned Fund Balance

Locality	Unassigned Fund Balance (General Fund)
Mathews	\$7,360,487
Nat'l Aa Median	25,908,000
Virginia Aa Median	24,245,500
Peer Group Median	10,516,116
James City	56,029,027
Gloucester	23,193,852
York	18,240,000
Northampton	14,167,329
King & Queen	13,344,920
Middlesex	11,989,612
Westmoreland	9,042,619
Northumberland	8,965,017
Essex	8,138,455
Lancaster	7,360,377
King William	6,364,785
Accomack	5,000,178

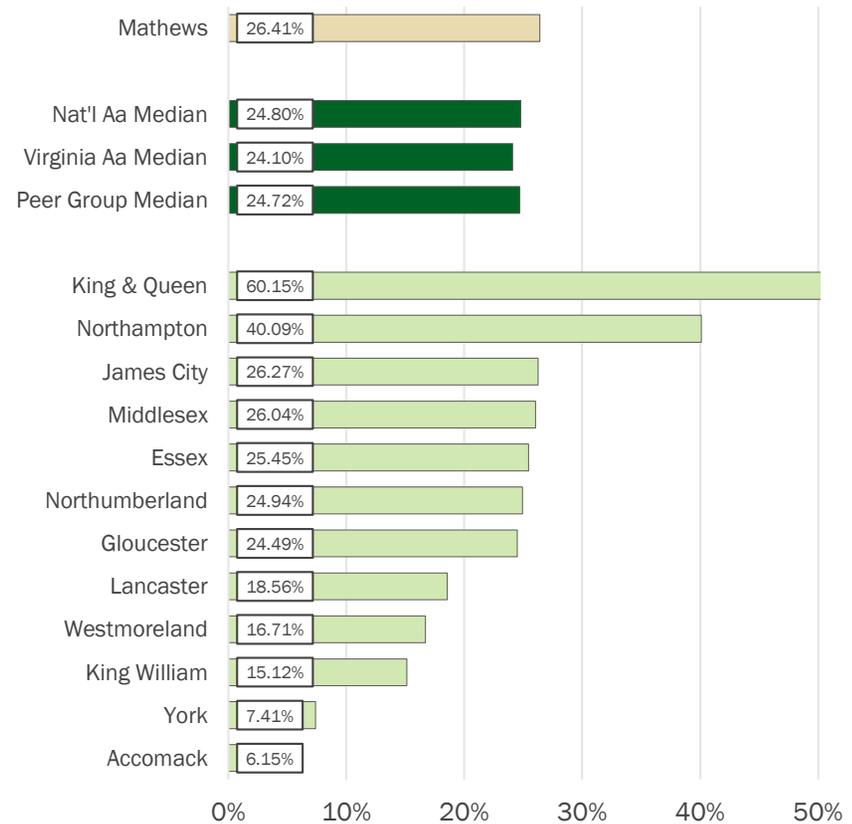




Unassigned Fund Balance as a % of Expenditures

Locality	Unassigned Fund Balance as a % of Expenditures
Mathews	26.41%
Nat'l Aa Median	24.80%
Virginia Aa Median	24.10%
Peer Group Median	24.72%
King & Queen	60.15%
Northampton	40.09%
James City	26.27%
Middlesex	26.04%
Essex	25.45%
Northumberland	24.94%
Gloucester	24.49%
Lancaster	18.56%
Westmoreland	16.71%
King William	15.12%
York	7.41%
Accomack	6.15%

Unassigned Fund Balance as % of Expenditures





Evaluation of Unassigned Fund Balance

- As shown on the preceding page, the County currently maintains an Unassigned Fund Balance at roughly 26% of 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 County strives to maintain 10%, Davenport recommends formally adopting a policy to maintain Unassigned Fund Balance Policy at or above 20% of Expenditures.

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



D. Tax-Supported Debt Management

Mathews County, Virginia



Key Debt Ratios

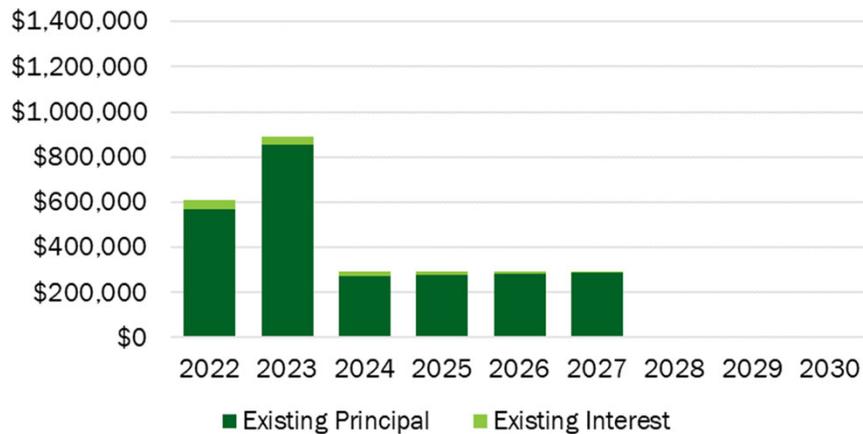
- An important part of debt management is monitoring indicators of borrowing capacity and affordability. While there are several different ratios/metrics that can be tracked to evaluate a government's debt profile, two are generally regarded industry-wide as **Key Debt Ratios**.
 1. **Debt vs. Assessed Value:**
 - The County currently does not have a policy regarding this ratio.
 - This is a key ratio that answers the *"Can I Borrow This?"* question. It is commonly used by rating agencies to measure an issuer's capacity to support existing and additional debt.
 2. **Debt Service vs. Expenditures**
 - The County currently does not have a policy regarding this ratio.
 - Debt Service vs. Expenditures is a key ratio because it measures how much of the annual budget is being spent to pay for debt, and can show how much additional debt service can be added before exceeding prudent levels. It answers the *"Can I Afford This?"* question.



Existing Tax-Supported Debt Profile

- The County has an outstanding debt service payment due in the amount of \$892,744 in FY 2023. However, a portion of the debt matures, resulting in 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 Tax-Supported Debt Service



Existing Debt Service

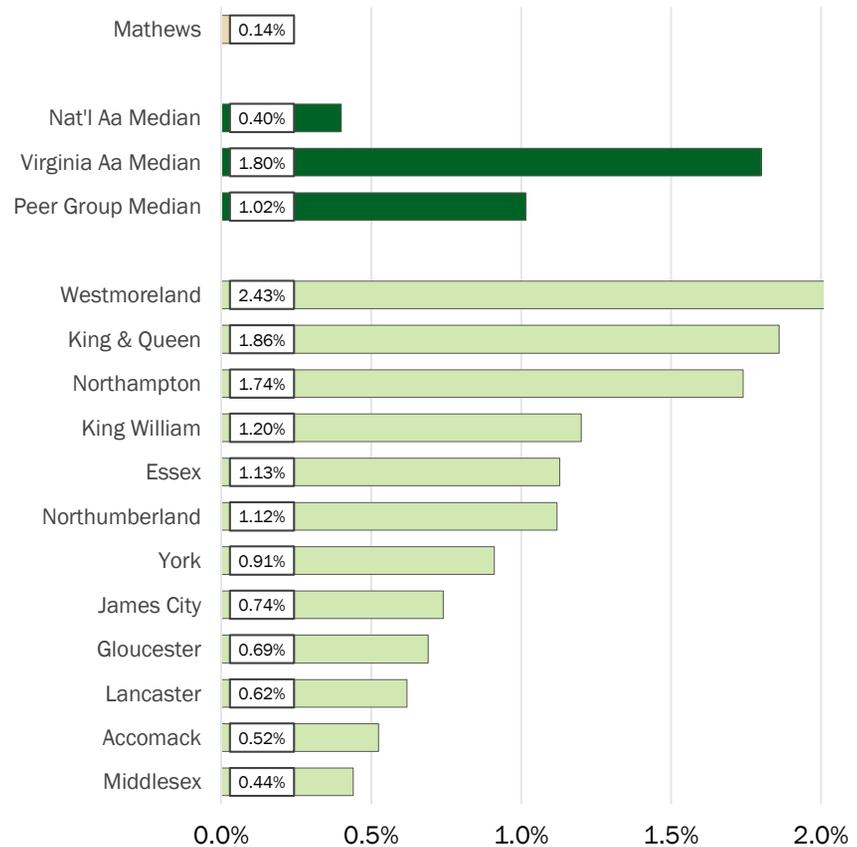
FY	Principal	Interest	Total
Total	\$2,546,891	\$131,390	\$2,678,281
2022	570,000	39,469	609,469
2023	853,267	39,477	892,744
2024	273,230	20,787	294,017
2025	278,285	15,732	294,017
2026	283,433	10,584	294,017
2027	288,676	5,341	294,017
2028	-	-	-
2029	-	-	-
2030	-	-	-



Peer Comparison – Existing Debt vs. Assessed Value

Locality	Debt as % of Assessed Value
Mathews	0.14%
Nat'l Aa Median	0.40%
Virginia Aa Median	1.80%
Peer Group Median	1.02%
Westmoreland	2.43%
King & Queen	1.86%
Northampton	1.74%
King William	1.20%
Essex	1.13%
Northumberland	1.12%
York	0.91%
James City	0.74%
Gloucester	0.69%
Lancaster	0.62%
Accomack	0.52%
Middlesex	0.44%

Debt Outstanding vs. Assessed Value



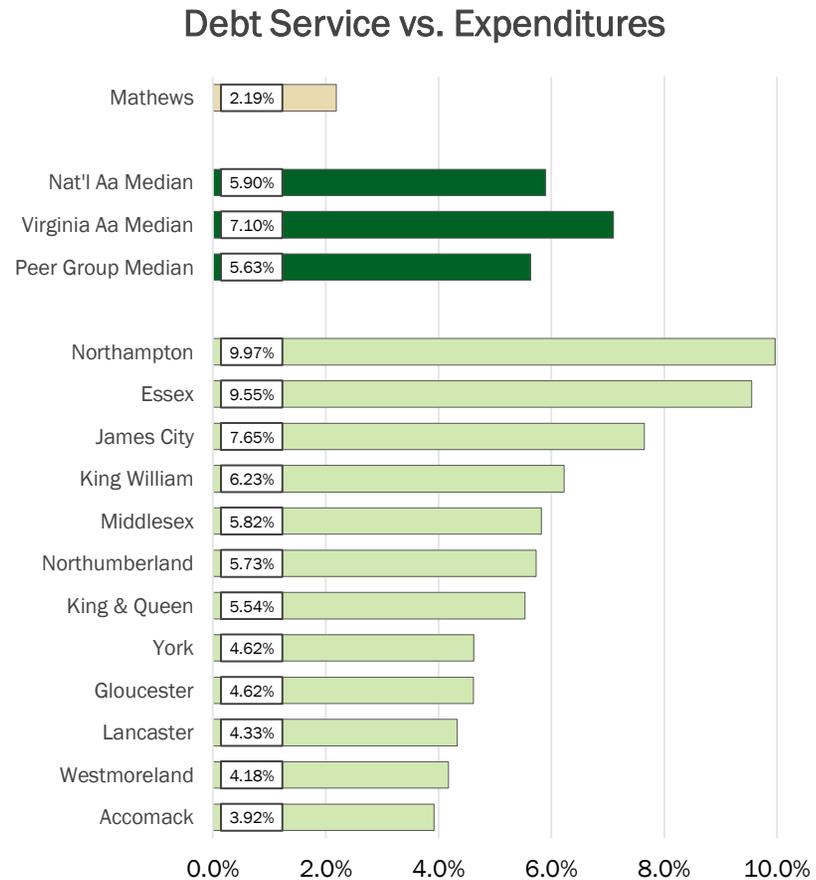
Peer Comparatives reported as of FY 2021 / King & Queen issued \$20 million of Lease Revenue Bonds in early calendar year 2022.

Source: Respective Locality Audits.



Peer Comparison – Debt Service vs. Expenditures

Locality	Debt Service as % of Gov't Expenditures
Mathews	2.19%
Nat'l Aa Median	5.90%
Virginia Aa Median	7.10%
Peer Group Median	5.63%
Northampton	9.97%
Essex	9.55%
James City	7.65%
King William	6.23%
Middlesex	5.82%
Northumberland	5.73%
King & Queen	5.54%
York	4.62%
Gloucester	4.62%
Lancaster	4.33%
Westmoreland	4.18%
Accomack	3.92%



Peer Comparatives reported as of FY 2021 / King & Queen issued \$20 million of Lease Revenue Bonds in early calendar year 2022.

Source: Respective Locality Audits.



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 Adopted Capital Improvement Plan.

\$1.7 mm Davis Creek Dredging
 \$3.9 mm Winter Harbor Dredging & Beach Protection
 \$1.3 mm Main Street Phase 2

Funding Source	2023	2024	2025	2026	2027	23-27 Total
Meals Tax	\$ 663,178	\$ 266,600	\$ 266,600	\$ 266,600	\$ 266,600	\$ 1,729,578
Committed Reserves	125,000	365,000	-	-	-	490,000
Fund Balance	25,000	-	-	-	-	25,000
Grant Funds	876,834	7,428,256	2,150,000	-	350,000	10,805,090
American Rescue	877,710	-	-	-	-	877,710
Lodging Tax	20,000	-	-	-	-	20,000
General Fund	-	195,000	195,000	100,000	100,000	590,000
Financing	-	698,000	2,127,000	-	-	2,825,000
Total	\$ 2,587,722	\$ 8,952,856	\$ 4,738,600	\$ 366,600	\$ 716,600	\$ 17,362,378

\$2.0 mm Emergency Grant for Fire Station*

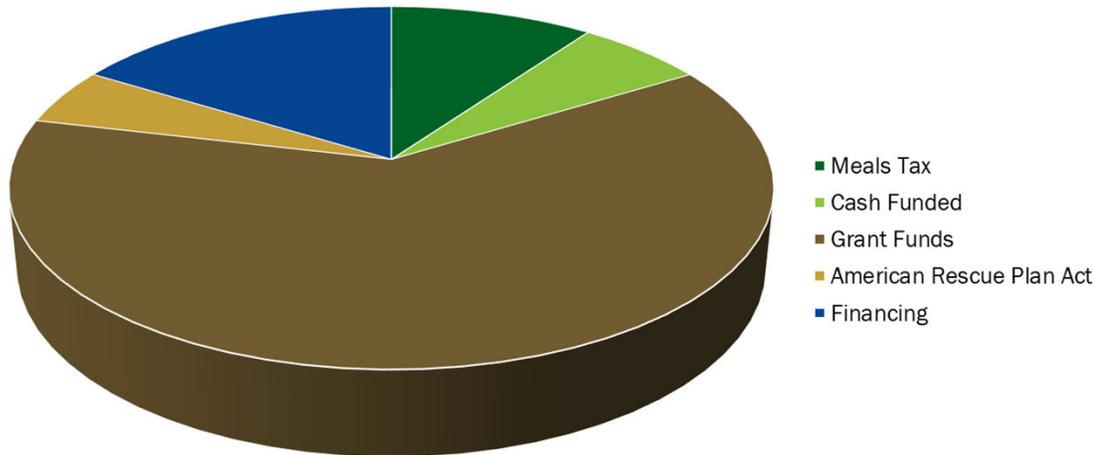
\$2.0 mm Fire Station Replacement Station #1

Capital Improvement Plan – Sources of Funds Overview (cont.)



- As shown below, the County’s CIP utilizes substantial Grant funding at over 60%. Only 15% of the CIP is planned to be debt funded, which is a very modest level of assumed debt funding in the 5 Year CIP.*

Sources of Funds CIP FY23-FY27



Funding Source	Percentage Total (FY23-FY27)
Meals Tax	10%
Cash Funded ⁽¹⁾	7%
Grant Funds	62%
American Rescue Plan Act	5%
Financing	16%
Total	100%

*Note: Assumes receipt of \$2 million Grant funding for the Fire Station project.

(1) Cash Funded Projects include Committed Reserves, General Fund and Lodging Tax.



Financing Options | Overview of Scenarios

- The following scenarios have been analyzed to provide perspective on the County’s ability to support future capital projects like the Fire Station.
 - Case 1 \$2,500,000 Borrowing (\$2,000,000 Grant)
 - Case 2 \$3,500,000 Borrowing (\$1,000,000 Grant)
 - Case 3 \$4,500,000 Borrowing (No Grant)

- For each Case described above, the following financing options have been analyzed to better understand the County’s ability to afford new debt:
 - A – 20-year term at 5.0%;
 - B – 30-year term at 5.5%; and
 - C – 40-year term at 4.5%.

- All scenarios assume the County financing occurs in the first half of calendar year 2023 with principal and interest beginning the subsequent fiscal year (i.e. FY 2024).

- All scenarios assume the County maintains it’s current FY23 debt service budget (\$648,938) for future debt service payments.



Executive Summary of Capital Funding Analysis

- Davenport analyzed all 9 possible financing options (3 for each Case) from the prior page and found the following takeaways:
 1. The County has the budgetary capacity to borrow the \$2.5 million and up to \$4.5 million currently estimated for the fire station, without the need to raise additional revenues.
 2. The County can also take on all debt options provided while maintaining debt ratios in line with other highly rated local governments and regional peer jurisdictions.

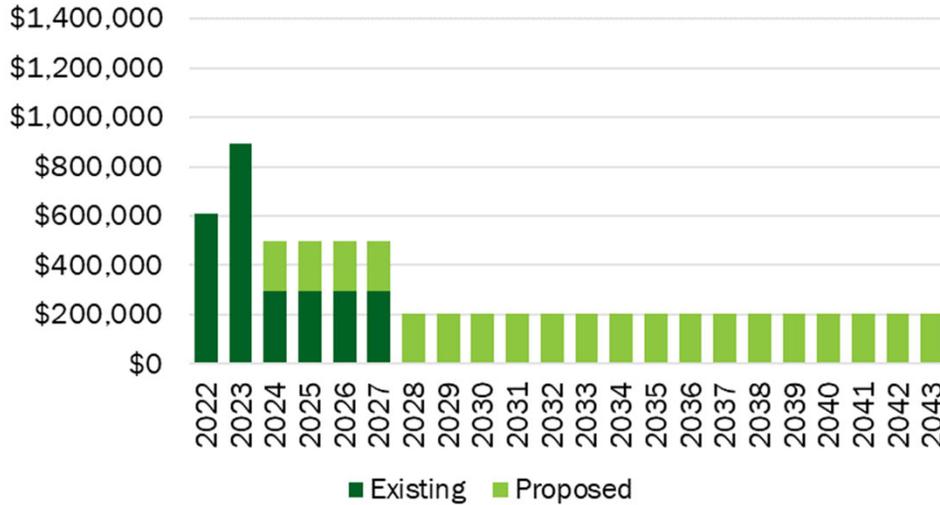
- While interest rates have increased during this calendar year, they still remain at historically favorable levels.

Capital Funding Analysis – Existing & Proposed Debt Service

\$2.5 million Project Fund (\$2 million Grant for Fire Station)



Existing & Proposed Tax-Supported Debt Service



Existing & Proposed Debt Service

FY	Existing	Proposed ⁽¹⁾	Total
Total	\$2,678,281	\$4,132,493	\$6,810,774
2022	609,469	-	609,469
2023	892,744	-	892,744
2024	294,017	206,625	500,642
2025	294,017	206,625	500,642
2026	294,017	206,625	500,642
2027	294,017	206,625	500,642
2028	-	206,625	206,625
2029	-	206,625	206,625
2030	-	206,625	206,625
2031	-	206,625	206,625
2032	-	206,625	206,625
2033	-	206,625	206,625
2034	-	206,625	206,625
2035	-	206,625	206,625
2036	-	206,625	206,625
2037	-	206,625	206,625
2038	-	206,625	206,625
2039	-	206,625	206,625
2040	-	206,625	206,625
2041	-	206,625	206,625
2042	-	206,625	206,625
2043	-	206,625	206,625

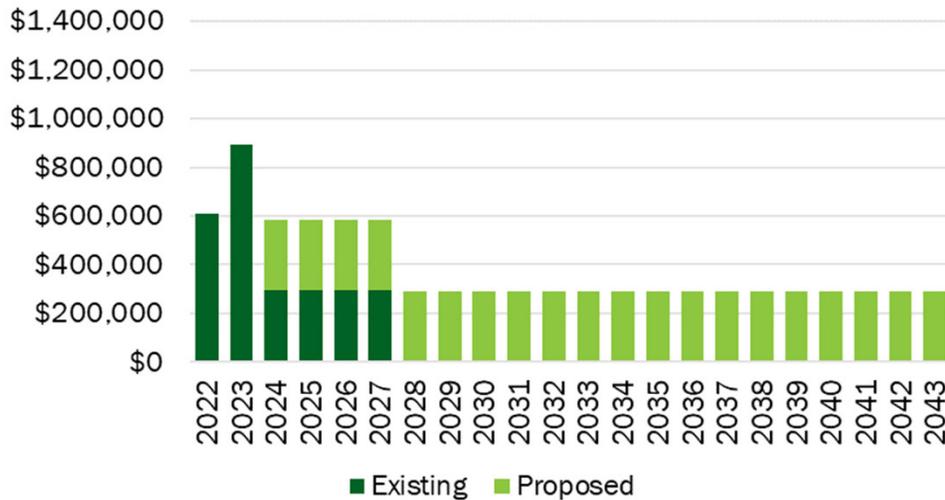
(1) Calculated using \$2.5 million Project Fund over a 20 Year term at a 5.00% planning interest rate.

Capital Funding Analysis – Existing & Proposed Debt Service

\$3.5 million Project Fund (\$1 million Grant for Fire Station)



Existing & Proposed Tax-Supported Debt Service



Existing & Proposed Debt Service

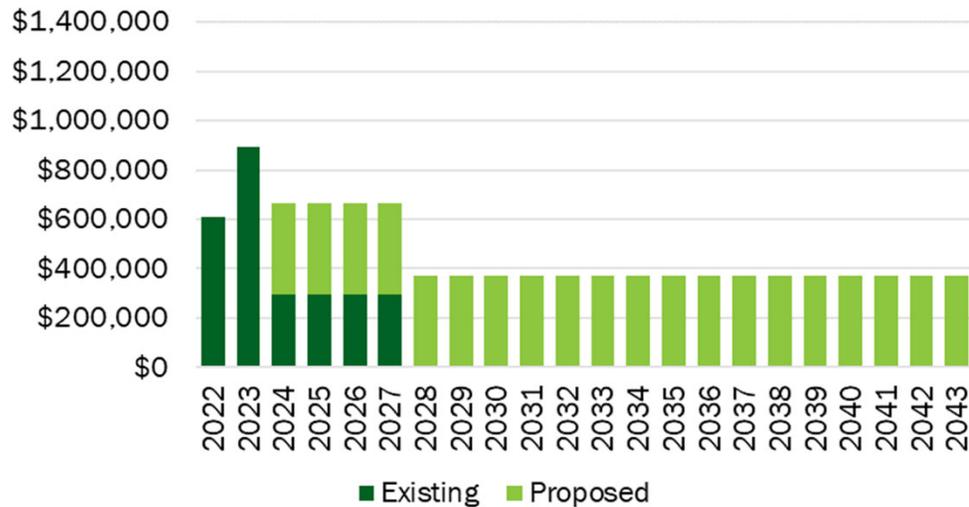
FY	Existing	Proposed ⁽¹⁾	Total
Total	\$2,678,281	\$5,785,491	\$8,463,771
2022	609,469	-	609,469
2023	892,744	-	892,744
2024	294,017	289,275	583,291
2025	294,017	289,275	583,291
2026	294,017	289,275	583,291
2027	294,017	289,275	583,291
2028	-	289,275	289,275
2029	-	289,275	289,275
2030	-	289,275	289,275
2031	-	289,275	289,275
2032	-	289,275	289,275
2033	-	289,275	289,275
2034	-	289,275	289,275
2035	-	289,275	289,275
2036	-	289,275	289,275
2037	-	289,275	289,275
2038	-	289,275	289,275
2039	-	289,275	289,275
2040	-	289,275	289,275
2041	-	289,275	289,275
2042	-	289,275	289,275
2043	-	289,275	289,275

Capital Funding Analysis – Existing & Proposed Debt Service

\$4.5 million Project Fund (No Grant for Fire Station)



Existing & Proposed Tax-Supported Debt Service



Existing & Proposed Debt Service

FY	Existing	Proposed ⁽¹⁾	Total
Total	\$2,678,281	\$7,438,488	\$10,116,769
2022	609,469	-	609,469
2023	892,744	-	892,744
2024	294,017	371,924	665,941
2025	294,017	371,924	665,941
2026	294,017	371,924	665,941
2027	294,017	371,924	665,941
2028	-	371,924	371,924
2029	-	371,924	371,924
2030	-	371,924	371,924
2031	-	371,924	371,924
2032	-	371,924	371,924
2033	-	371,924	371,924
2034	-	371,924	371,924
2035	-	371,924	371,924
2036	-	371,924	371,924
2037	-	371,924	371,924
2038	-	371,924	371,924
2039	-	371,924	371,924
2040	-	371,924	371,924
2041	-	371,924	371,924
2042	-	371,924	371,924
2043	-	371,924	371,924

Summary of Capital Funding- Case 1

\$2.5 million Project Fund (\$2 million Grant for Fire Station)



- The following tables show the breakdown and comparison between important policy impacts of each borrowing amount.
- With any of the Case 1 options, the County is not required to raise additional revenues from other sources in order to finance this borrowing amount.

	1A - \$2,500,000	Case 1: 1B - \$2,500,000	1C- \$2,500,000
New Money Funding Assumptions	20 Year 5.00%	30 Year 5.50%	40 Year 4.50%
Max Debt Service vs. Expenditures	3.08% (FY 2023)	3.08% (FY 2023)	3.08% (FY 2023)
Max Debt vs. Assessed Value	0.25% (FY 2023)	0.25% (FY 2023)	0.25% (FY 2023)
Average Annual New Debt Service	\$206,625	\$177,174	\$98,399
Existing Debt Service Budget	\$648,938	\$648,938	\$648,938
Estimated Total New Debt Service	\$4,132,493	\$5,315,216	\$3,247,175

Summary of Capital Funding- Case 2

\$3.5 million Project Fund (\$1 million Grant for Fire Station)



- With any of the Case 2 options, the County is similarly not required to raise additional revenues from other sources in order to finance this borrowing amount.

	2A - \$3,500,000	Case 2: 2B - \$3,500,000	2C- \$3,500,000
New Money Funding Assumptions	20 Year 5.00%	30 Year 5.50%	40 Year 4.50%
Max Debt Service vs. Expenditures	3.08% (FY 2023)	3.08% (FY 2023)	3.08% (FY 2023)
Max Debt vs. Assessed Value	0.30% (FY 2023)	0.30% (FY 2023)	0.30% (FY 2023)
Average Annual New Debt Service	\$289,275	\$248,043	\$137,759
Existing Debt Service Budget	\$648,938	\$648,938	\$648,938
Estimated Total New Debt Service	\$5,785,491	\$7,441,303	\$4,546,044

Summary of Capital Funding- Case 3

\$4.5 million Project Fund (No Grant)



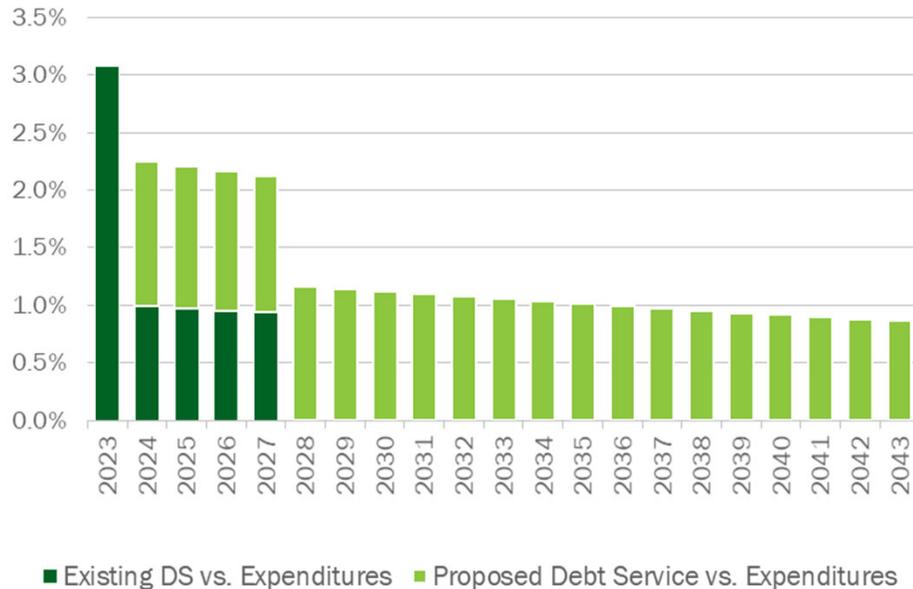
- With any of the Case 3 options, the County is similarly not required to raise additional revenues from other sources in order to finance this borrowing amount.

	3A - \$4,500,000	Case 3: 3B - \$4,500,000	3C- \$4,500,000
New Money Funding Assumptions	20 Year 5.00%	30 Year 5.50%	40 Year 4.50%
Max Debt Service vs. Expenditures	3.08% (FY 2023)	3.08% (FY 2023)	3.08% (FY 2023)
Max Debt vs. Assessed Value	0.36% (FY 2023)	0.36% (FY 2023)	0.36% (FY 2023)
Average Annual New Debt Service	\$371,924	\$318,913	\$177,119
Existing Debt Service Budget	\$648,938	\$648,938	\$648,938
Estimated Total New Debt Service	\$7,438,488	\$9,567,389	\$5,844,914



Debt Ratios – Scenario 3A (No Grant Funding)

Debt Service vs. Expenditures



- **Maximum Debt Service vs. Expenditures (FY 2023)**
 - Debt Service vs. Expenditures 3.08%

- **FY 2023 Debt Service**
 - Debt Service⁽²⁾ \$892,744

- **Operating Expenditures**
 - FY 2023⁽³⁾ \$28,993,078
 - Growth Rate: 2.00%

Standard & Poor's Criteria for General Obligation Credits Defines categories of Debt Service as a % of Governmental Expenditures as⁽¹⁾:

	FY 2023	Maximum
– Very Strong:	<8%	<8%
– Strong:	8% - 15%	8% - 15%
– Adequate:	15% - 25%	15% - 25%
– Weak:	25% - 35%	25% - 35%
– Very Weak:	>35%	>35%

Sources:

- (1) S&P: U.S. Local Governments General Obligation Ratings Methodology.
- (2) Includes existing and proposed debt service.
- (3) FY 2023 Expenditures are based on FY 2021 expenditures of \$27,867,241 (General Fund Expenditures plus School Operating Expenditures less Intergovernmental). Assumes 2% growth beginning in FY 2021.



Debt Ratios (cont.) – Scenario 3A (No Grant Funding)

Debt vs. Assessed Value



- **Maximum Debt vs. Assessed Value (FY 2023)**
 - Debt vs. AV 0.36%

- **Outstanding Debt (FY 2023)**
 - Outstanding Debt⁽²⁾ \$6,611,891

- **Assessed Value**
 - FY 2023⁽³⁾ \$1,835,148,601
 - Growth Rate: 1.00%

Moody's Criteria for General Obligation Credits defines categories of Debt to Assessed Values as⁽¹⁾:

	FY 2023	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%

Sources:

- (1) Moody's Investors Service.
- (2) Includes Existing and Proposed Debt Outstanding.
- (3) FY 2023 Assessed Value is based on FY 2021 AV of \$1,798,988,924. Assumes 1% annual growth beginning in FY 2021.



Appendix

Mathews County, Virginia

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.

General Fund 2021 Actual & FY2022/23 Budget Comparison



General Fund	FY2021 Actual	FY2022 Amended Budget	FY 2023 Amended Budget
Revenues			
General Property Taxes	\$ 13,376,538	\$ 13,215,000	\$ 14,960,000
Other Local Taxes	1,756,247	1,440,000	1,440,000
Permits, Privilege Fees, and Regulatory Licenses	76,096	78,200	78,200
Fines and Forfeitures	45,618	50,500	50,500
From Use of Money and Property	50,209	106,320	106,320
Charges for Services	39,244	45,300	45,300
Miscellaneous	22,707	23,125	53,325
Recovered Costs	124,391	65,217	47,541
Intergovernmental:			
From Commonwealth	3,676,140	3,642,789	3,826,974
From Federal Government	2,357,899	821,516	888,287
Adjustment for Social Services Fund 201		795,891	901,764
Anticipated Use of Fund Balance		2,123,961	714,976
Total Revenues	\$ 21,525,089	\$ 22,407,819	\$ 23,113,187
Expenditures			
Current:			
General Government Administration	\$ 2,122,327	\$ 2,131,472	\$ 2,303,347
Judicial Administration	585,474	625,434	727,708
Public Safety	3,337,241	3,105,338	3,685,108
Public Works	1,493,607	1,417,806	1,608,091
Health and Welfare ⁽¹⁾	2,213,478	2,629,601	2,766,182
Education	8,754,458	9,066,130	8,746,130
Parks, Recreation, and Cultural	523,066	560,653	577,768
Community Development	716,016	433,395	479,120
Transfer to Social Services Fund 201		816,431	901,764
Capital Projects	973,544	973,625	364,904
Debt service:			
Principal Retirement	535,000	595,742	853,267
Interest and Fiscal Charges	64,274	53,196	39,477
Total Expenditures	\$ 21,318,485	\$ 22,408,823	\$ 23,052,866
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 206,604	\$ (1,004)	\$ 60,321



Incremental Revenue Impact

- The table below shows the approximate value of an incremental additional unit on select County revenue sources (based on the FY 2023 Adopted Budget).

Tax Revenue	FY 2023 Budgeted Revenues	Current Tax Rate	Marginal Unit	Approximate Value of a 1-Unit Tax Increase
Meals Tax	\$266,600	4.00%	1.00%	\$66,650
Real Estate Tax	\$10,480,000	<u>\$0.64/\$100</u> of AV	\$0.01	\$163,750
Personal Property Tax	\$3,600,000	<u>\$3.70/\$100</u>	\$0.10	\$97,297

General Fund – Historical Results

Detailed



General Fund	FY2017	FY2018	FY2019	FY2020	FY2021
Revenues					
General Property Taxes	\$ 12,081,391	\$ 11,976,884	\$ 12,687,041	\$ 13,351,262	\$ 13,376,538
Other Local Taxes	1,353,481	1,312,326	1,372,877	1,513,470	1,756,247
Permits, Privilege Fees, and Regulatory Licenses	94,182	84,989	87,209	73,570	76,096
Fines and Forfeitures	44,806	47,613	54,428	42,535	45,618
From Use of Money and Property	72,560	79,506	84,889	116,903	50,209
Charges for Services	36,549	46,918	45,403	42,515	39,244
Miscellaneous	158,285	119,614	104,370	84,857	22,707
Recovered Costs	16,393	17,680	18,574	36,902	124,391
Intergovernmental:					
From Commonwealth	3,315,098	3,365,748	3,346,123	3,340,279	3,676,140
From Federal Government:	771,199	938,080	884,869	854,028	892,394
ARPA	-	-	-	-	80,013
COVID-19 CARES Act	-	-	-	193,190	1,385,492
Total Revenues	\$ 17,943,944	\$ 17,989,358	\$ 18,685,783	\$ 19,649,511	\$ 21,525,089
Annual Growth		0.3%	3.9%	5.2%	9.5%
Revenue Growth w/o ARPA/CARES		0.3%	3.9%	4.1%	2.1%
General Fund					
	FY2017	FY2018	FY2019	FY2020	FY2021
Expenditures					
Current:					
General Government Administration	\$ 1,396,790	\$ 1,456,424	\$ 1,537,905	\$ 1,736,952	\$ 2,122,327
Judicial Administration	554,889	527,875	587,202	604,080	585,474
Public Safety	2,692,437	2,888,690	2,917,767	2,871,808	3,337,241
Public Works	1,178,431	1,174,436	1,303,415	1,264,875	1,493,607
Health and Welfare	1,767,509	1,901,680	2,234,166	2,339,464	2,213,478
Education	6,579,284	7,122,664	7,314,893	8,532,916	8,754,458
Parks, Recreation, and Cultural	433,791	437,507	564,295	454,598	523,066
Community Development	394,098	367,857	354,516	343,782	716,016
Nondepartmental	110,095				
Capital Projects	1,496	284,785	782,544	411,745	973,544
Debt Service:					
Principal Retirement	956,275	991,102	970,300	1,001,600	535,000
Interest and Fiscal Charges	239,209	179,455	138,290	100,136	64,274
Total Expenditures	\$ 16,304,304	\$ 17,332,475	\$ 18,705,293	\$ 19,661,956	\$ 21,318,485
Annual Growth		6.3%	7.9%	5.1%	8.4%
Annual Growth w/o Capital ⁽¹⁾		5.1%	5.9%	7.9%	8.8%
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 1,639,640	\$ 656,883	\$ (19,510)	\$ (12,445)	\$ 206,604
Other Financing Sources (Uses)					
Transfers In	\$ -	\$ -	\$ 3,593	\$ 88,565	\$ 146,091
Transfers Out	(392,100)	(112,930)	(17,992)	-	-
Total Other Financing Sources (Uses)	\$ (392,100)	\$ (112,930)	\$ (14,399)	\$ 88,565	\$ 146,091
Net Change in Fund Balance	\$ 1,247,540	\$ 543,953	\$ (33,909)	\$ 76,120	\$ 352,695
Fund Balance at Beginning of Year	6,088,939	7,336,479	7,880,432	7,846,523	7,922,644
Fund Balance at End of Year	\$ 7,336,479	\$ 7,880,432	\$ 7,846,523	\$ 7,922,643	\$ 8,275,339

Disclaimer



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