

To Jason Berry, County Administrator, *Washington County, Virginia*  
Tammy Copenhaver, Director of Finance, *Washington County, Virginia*

From David P. Rose, Senior Vice President/Manager, Davenport Public Finance  
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Date May 18, 2021

Subject Final Transaction Results – Washington County Courthouse funding via Virginia Resources Authority’s (“VRA”) Virginia Pooled Financing Program, Spring 2021A Bond Sale (the “2021A VRA Bonds”)

CC: R.T. Taylor, Vice President, Davenport Public Finance  
Fred Parker, Treasurer, *Washington County, Virginia*

In anticipation of the closing of the 2021A VRA Bonds, through which Washington County (the “County”) obtained approximately \$19 Million for its planned courthouse project, Davenport & Company LLC (“Davenport”), as Financial Advisor to the County, has enclosed the following summary with respect to this successful refinancing transaction.

**Background**

Over the past 12 months, Davenport has worked with the County in analyzing potential funding alternatives, which included USDA Community Facilities Financing, IDA Lease Revenue Bonds, and financing via VRA’s pooled bond sale, for the County’s courthouse project. Our analysis included the advantages/disadvantages of each financing program, as well as, comparative all-in costs. In addition, we undertook cash flow impact analyses of the potential budgetary impact of an assumed \$17.5 Million project cost in order to assist the County with evaluating the potential life cycle cash flow of the financing and future related debt service. Based on our analysis as presented to the County and its Board of Supervisors, Davenport recommended pursuing a dual-track strategy to accessing the funds which involved applying to VRA for funding via the 2021A VRA Bonds and pursuing credit ratings in order to keep financing flexibility via IDA Lease Revenue Bonds in the event VRA did not work out as anticipated. Throughout the process, Davenport has worked with the County in developing analyses and Board presentation materials, attended Board meetings to provide information and briefings for the necessary approvals related to the refinancing. Davenport also worked with County and its Bond Counsel to assemble the VRA application and credit presentation materials, assisted with due diligence conference calls for VRA’s application process and worked with VRA to structure the refinancing.

**Final Transaction Results**

On May 11, 2021, VRA successfully sold the 2021A VRA Bonds which successfully locked in financing for the County’s \$19 courthouse project. The final results of the transaction are as follows:

	Final VRA Bonds	Preliminary Planning Estimates
Bonds Issued	\$15,975,000	\$16,330,000
Project Cost Funding	\$19,000,000	\$17,500,000
All-in Cost 2021A VRA Bonds <sup>(1)</sup>	2.49%	3.05%
Average Annual Debt Service <sup>(1)</sup>	\$1,000,000	\$1,000,000
Total Debt Service	\$26,315,000	\$26,225,000

(1) Factors in all costs of issuance.  
 (2) Beginning FY 2024; Interest only debt service for FY 2022 and FY 2023 approximates \$665,000.

We would also like to point out that the final all-in cost of the 2021A Bonds of 2.49% is approximately 0.56% than the conservative planning estimate of 3.05% provided to the County in July of last year. Over the life of the bonds, this lower cost of funds translates into approximately \$1.6 Million of interest savings (on an equivalent \$19 Million project cost

funding). Moreover, the average annual debt service on the final 2021A VRA Bonds is approximately \$1 Million per year - the same level as the preliminary planning estimates for \$17.5 Million. By locking in the cost of funds in today's near historic interest rate markets, the County has essentially borrowed \$19.0 Million with the same debt service as the \$17.5 Million preliminary planning estimates.

As stated above, the final all-in cost of the 2021A VRA Bonds takes into account all VRA costs of issuance and a conservative budget of \$150,000 for all local costs of issuance. At this time, Davenport's Financial Advisory Transaction Fee is approximately \$60,000, which is consistent with the July 28, 2020 planning estimates. Although, we had a similar estimate for local bond counsel fees, we understand that the County has been SandsAnderson PC for local bond counsel services on a pay-as-you-go basis outside of the financing.

In addition to our Transaction Fee, Davenport's fees for capital planning work is \$62,437.50 based on hours and time involved since June 2020 through the VRA application submission. We know that the County traditionally pays for planning work out of its budget, but these fees can be included in the costs of issuance in the bonds.

Please see the breakout of Davenport's Fees and Expenses broken out by transaction and planning work in the table below:

	Rose/ Kooch SVP's	Taylor VP	Analyst	Totals
<b>Davenport Financial Advisory Services Fees</b>				
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1 Financial Advisory Services Fees (Non-Transaction Related Based on Contract Rates)				
2 Hourly Rate	\$ 300.00	\$ 275.00	\$ 225.00	\$ 267.97
3 Total Engagement Hours	75.50	87.00	70.50	233.00
4 Subtotal Financial Advisory Services Fees	\$ 22,650.00	\$ 23,925.00	\$ 15,862.50	\$ 62,437.50
5 Indirect Expenses (4% of Fee)	906.00	957.00	634.50	2,497.50
6 Direct Out-of-Pocket Expenses at Cost	-	-	-	-
7 <b>Total Financial Advisory Services Fees and Expenses (Non-Transaction Related)</b>	<b>\$ 23,556.00</b>	<b>\$ 24,882.00</b>	<b>\$ 16,497.00</b>	<b>\$ 64,935.00</b>
8				
9 <b>Summary of Hours by Month</b>				<b>Totals</b>
10 <b>Davenport Financial Advisory Services Fees</b>	<b>75.50</b>	<b>87.00</b>	<b>70.50</b>	<b>233.00</b>
11 Late June 2020	5.50	10.00	3.50	19.00
12 Early July 2020	12.50	17.50	5.00	35.00
13 Mid-July 2020	7.50	2.00	2.00	11.50
14 Late July 2020	22.50	30.00	5.00	57.50
15 August 3, 2020	-	-	-	-
16 Dec-2020	15.00	10.00	20.00	45.00
17 Jan-2021	12.50	17.50	35.00	65.00
18 <b>Proposed Financial Advisory Services Fees</b>				
19				<b>Totals</b>
20				
21 <b>Total Financial Advisory Services and Fees</b>				<b>Totals</b>
22 <b>Based on Contract</b>				<b>Totals</b>
23 Subtotal Financial Advisory Services and Fees (Non-Transaction Related)				\$ 62,437.50
24 Subtotal Financial Advisory Services and Fees (Transaction Related)				60,000.00
25 Total Financial Advisory Services				\$ 122,437.50
26 Total Indirect Expenses				4,897.50
27 Total Direct Out-of-Pocket Expenses at Cost				1,647.78
28 <b>Total Financial Advisory Services Fees and Expenses</b>				<b>\$ 128,982.78</b>

Should you have any questions, please do not hesitate to contact us.

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