

Presentation to City of Charlottesville

Albemarle-Charlottesville Regional Jail Authority: Jail Renovation Project – Plan of Finance



January 17, 2023

Background



- Davenport & Company (“Davenport”), in our capacity as Financial Advisor to the Albemarle-Charlottesville Regional Jail Authority (the “Authority”), is providing the enclosed Plan of Finance Briefing to each Member Jurisdiction with respect to the proposed Jail Renovation Project.

- The presentation herein will cover the following topics related to the Two-Part Plan of Finance:
 - Overview of the Jail Funding Process;
 - A Timetable and Estimated Cashflow Impact for:
 - Part 1: The Interim Financing; and
 - Part 2: The Permanent Financing
 - The Projected Budgetary/Cashflow Impact to each Member Jurisdiction; and,
 - Next Steps.



Jail Funding Process

- In the Commonwealth of Virginia, regional jails are eligible for a 25% reimbursement of eligible costs for major capital projects.
- After the Authority decides to undertake a project (i.e. the proposed Renovation Project), it is required to undertake a Community Based Corrections Plan and Planning Study in order to develop a cost estimate for reimbursement consideration by the Board of Local and Regional Jails.
- Following approval by the Board of Local and Regional Jails, the request for the 25% reimbursement will be forwarded to the General Assembly for approval and inclusion in the Governor's Budget.
 - Once approved, the 25% reimbursement will be set aside by the Commonwealth and made available once the project is complete and a formal request is made by the Authority.
- The Two-Part Plan of Finance is typically undertaken after the Commonwealth's approval of the 25% reimbursement.

The Authority's reimbursement request has been approved by the Board of Local and Regional Jails and is awaiting approval from the General Assembly.



Two-Part Plan of Finance

- The Two-Part Plan of Finance is designed to minimize the incurrence of debt and related interest costs until the Authority has received bids for construction and a firm project cost is known.

Part 1: Interim Financing

- The Interim Financing provides only what is necessary to complete preliminary design and engineering costs so the project can be bid.

Part 2: Permanent Financing/Grant Anticipation Note

- After bids are received and Total Project Costs are known, the Permanent Financing is undertaken to fully fund Project Costs not eligible for the 25% reimbursement, and permanently finance the interim financing.
- Simultaneously, a Grant Anticipation Note (“GAN”) is undertaken to fund Project Costs eligible for the 25% reimbursement.
 - The GAN would be paid off prior to maturity with funds provided by the 25% reimbursement once the project is complete.



Key Assumptions - Regional Jail Renovation Project

Project Assumptions

- Cost estimate provided by Moseley Architects is approximately **\$49 million**.
 - For the purposes of the analysis herein, we have assumed that **\$48 million** are eligible for the 25% reimbursement by the Commonwealth (approximately \$12 million of Project Costs).

Local Jurisdiction Contribution Assumptions

- The analysis herein allocates projected payments on new debt service based on Inmate Days (i.e. usage of the Jail) – per the amended service agreement.
- The projected allocation based on FY 2023 estimates are as follows (according to Inmate Days):

Albemarle	45.7%
Charlottesville	41.3%
Nelson	13.0%



Part 1: Interim Financing – Key Assumptions

- The Interim Financing (“2023 BAN”) is sized to provide an amount that would fund pre-development costs (architectural, engineering, and other related costs) in order to prepare the authority for bidding the project.
 - Upon bidding of the project, the authority will know the exact construction and development costs to be financed for the project.

Borrowing	Project Costs Borrowed	Planning Interest Rate	Term
2023 BAN	\$5 million	4.00%	18 Months

- The Interim Financing will be repaid by the Permanent Financing in Part 2 of the Plan of Finance in the Summer of 2024.

Part 1: Interim Financing – Timetable



Task	Date
Davenport provides financial briefing to each Member Jurisdiction.	January – March 2023
Davenport distributes RFP (“Request for Proposals”) for Interim Financing to local, regional and national lending institutions.	Early April 2023
RFP responses due to Davenport.	Late April 2023
Governor/General Assembly approves budget which includes 25% reimbursement of eligible Project Costs.	Late April 2023
Davenport presents results of RFP Process for the Interim Financing to Member Jurisdictions and Authority Board.	May 2023
Member Jurisdictions and Authority Board approve Interim Financing.	May 2023
Select and Award Architect/Engineer contract.	June 2023
Close on Interim Financing.	June 2023



Part 2: Permanent Financing/GAN – Key Assumptions

- The second part of the Plan of Finance incorporates a Grant Anticipation Note that would be paid off with funds from the Commonwealth, and a Permanent Financing paid back by the Member Jurisdictions wherein:
 - The Grant Anticipation Note (“2024 GAN”) would fund approximately 25% of eligible Project Costs, and one half of the interest costs eligible for reimbursement by the Commonwealth; and,
 - Permanent Bonds (“2024 Bonds”) would fund remaining Project Costs and permanently finance the 2023 Bond Anticipation Note.
- Approximate amounts for the 2024 Grant Anticipation Note and the 2024 Bonds are provided in the table below:

Borrowing	Project Costs Borrowed	Planning Interest Rate	Term
2024 GAN	\$13.5 million ⁽¹⁾	4.50%	3 Years
2024 Bonds	\$35.5 million ⁽²⁾	5.50%	27 Years (2 years interest only; 25 years level debt service)
Total	\$49 million		

- Upon bidding of the project, the Authority will know the exact Project construction and development costs to be financed.

(1) Grant (GAN) from the Commonwealth of Virginia includes a portion of reimbursable interest in addition to the 25% reimbursement of eligible costs.

(2) Amount includes permanent financing of 2023 BAN.



Part 2: Permanent Financing/GAN – Timetable

Task	Date
Select and Award Architect/Engineer contract.	June 2023
Close on Interim Financing.	June 2023
VDOC required Value Engineering on Design.	November 2023
Complete Construction Documents/Secure County Design Approvals.	March 2024
Advertise for Construction Bids.	May 2024
Receive Construction Bids.	May 2024
Grant Anticipation Note issued to fund costs eligible for reimbursement; Permanent Financing issued to fund remainder of Project Costs and permanently finance 2023 BAN.	June – August 2024
Negotiate Construction Contract.	August 2024
Notice to Proceed (Construction).	August 2024
Substantially Complete Construction (14 months – to be confirmed).	October 2025
Final Completion of Project.	November 2025
Repayment of GAN from receipt of Commonwealth Grant.	June 2026

Projected Debt Service & Budgetary/Cashflow Impact



Aggregate Projected Debt Service and Budgetary/Cashflow Impact to Member Jurisdictions

Fiscal Year	Proj. 2023 BAN D.S.	Proj. 2024 GAN D.S.	Proj. 2024 Bonds D.S.	Proj. Total Member Jurisdiction D.S.	Charlottesville D.S. Allocation	Nelson D.S. Allocation	Albemarle D.S. Allocation
2024	\$ 212,000	\$ -	\$ -	\$ 212,000	\$ 87,492	\$ 27,539	\$ 96,969
2025	-	612,000	1,991,000	2,603,000	1,074,258	338,130	1,190,612
2026	-	612,000	1,991,000	2,603,000	1,074,258	338,130	1,190,612
2027	-	-	2,701,000	2,701,000	1,114,703	350,860	1,235,438
2028	-	-	2,696,950	2,696,950	1,113,031	350,334	1,233,585
2029	-	-	2,700,975	2,700,975	1,114,692	350,857	1,235,426
2030	-	-	2,697,525	2,697,525	1,113,268	350,408	1,233,848
2031	-	-	2,696,875	2,696,875	1,113,000	350,324	1,233,551
2032	-	-	2,698,750	2,698,750	1,113,774	350,568	1,234,408
2033	-	-	2,697,875	2,697,875	1,113,413	350,454	1,234,008
2034	-	-	2,699,250	2,699,250	1,113,980	350,632	1,234,637
2035	-	-	2,697,600	2,697,600	1,113,299	350,418	1,233,882
2036	-	-	2,697,925	2,697,925	1,113,434	350,460	1,234,031
2037	-	-	2,699,950	2,699,950	1,114,269	350,723	1,234,957
2038	-	-	2,698,400	2,698,400	1,113,630	350,522	1,234,248
2039	-	-	2,698,275	2,698,275	1,113,578	350,506	1,234,191
2040	-	-	2,699,300	2,699,300	1,114,001	350,639	1,234,660
2041	-	-	2,696,200	2,696,200	1,112,722	350,236	1,233,242
2042	-	-	2,698,975	2,698,975	1,113,867	350,597	1,234,511
2043	-	-	2,697,075	2,697,075	1,113,083	350,350	1,233,642
2044	-	-	2,700,500	2,700,500	1,114,496	350,795	1,235,209
2045	-	-	2,698,700	2,698,700	1,113,753	350,561	1,234,386
2046	-	-	2,696,675	2,696,675	1,112,918	350,298	1,233,459
2047	-	-	2,699,150	2,699,150	1,113,939	350,620	1,234,591
2048	-	-	2,700,575	2,700,575	1,114,527	350,805	1,235,243
2049	-	-	2,700,675	2,700,675	1,114,568	350,818	1,235,289
2050	-	-	2,699,175	2,699,175	1,113,949	350,623	1,234,603
2051	-	-	2,700,800	2,700,800	1,114,620	350,834	1,235,346
Total	\$ 212,000	\$ 1,224,000	\$ 71,451,150	\$ 72,887,150	\$ 30,080,525	\$ 9,468,039	\$ 33,338,587

Part 1: Interest Only Interim Financing

Part 2: GAN & Permanent Financing Interest Only Period

Part 2: Long-Term Full Principal & Interest Payments

Note: Preliminary, subject to change. Actual results may vary from these estimates. Member Jurisdiction allocations are based on FY 2023 estimates and are subject to change based upon future jail population (i.e. inmate days).



Appendix

Projected Aggregate Sources & Uses



2023 BAN

	2023 BAN	
Sources		
Par Amount	\$	5,300,000
Total Sources	\$	5,300,000
Uses		
Project Fund	\$	5,000,000
Capitalized Interest		-
Cost of Issuance		300,000
Add. Proceeds		-
Total Uses	\$	5,300,000

2024 GAN / 2024 Bonds

	2024 GAN		2024 Bonds		Total	
Sources						
Par Amount	\$	13,600,000	\$	36,200,000	\$	49,800,000
Total Sources	\$	13,600,000	\$	36,200,000	\$	49,800,000
Uses						
Project Fund	\$	13,500,000	\$	30,500,000	\$	44,000,000
2023 BAN Takeout		-		5,300,000		5,300,000
Capitalized Interest		-		-		-
Cost of Issuance		100,000		400,000		500,000
Add. Proceeds		-		-		-
Total Uses	\$	13,600,000	\$	36,200,000	\$	49,800,000



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