

Presentation to Albemarle County Board of Supervisors

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



November 15, 2023

# Background

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- 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

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- 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 was approved by the General Assembly in the 2023 Session as a part of the delayed budget approval.*



# Two-Part Plan of Finance

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- 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** (i.e. no change from the January/February Presentations to localities).
  - For the purposes of the analysis herein, we have assumed that **\$48 million** of costs are eligible for the 25% reimbursement by the Commonwealth (approximately \$12 million of Project Costs).
  - However, the actual cost will not be known until the final design has been approved by the Board Authority and bids have been received.

## 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 2024 estimates are as follows (according to Inmate Days):

|                 |        |
|-----------------|--------|
| Albemarle       | 45.39% |
| Charlottesville | 39.87% |
| Nelson          | 14.74% |



# 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  | \$4,150,380            | 4.50%                  | 18 Months |

- The Interim Financing will be repaid by the Permanent Financing in Part 2 of the Plan of Finance in the Spring of 2025.



# Part 1: Interim Financing – Timetable

| Task  | Date                |   |
|---|---------------------|---|
| Authority Board is notified that the General Assembly has been approved for 25% reimbursement.  | September 2023      | ✓ |
| Jail issues RFP for Architecture and Engineering services   | September 2023      | ✓ |
| Jail selects Architecture and Engineering firm and negotiates costs of services. Contract to be awarded at December Authority Board meeting if interim-financing is approved. | Early November 2023 | ✓ |
| Davenport distributes RFP (“Request for Proposals”) for interim-financing to local, regional and national lending institutions.   | Early November 2023 | ✓ |
| Davenport presents resolution to member jurisdictions approving the Authority Board to seek interim-financing.  | Mid-November 2023   |   |
| RFP responses due to Davenport.   | Early-December 2023 |   |
| Davenport presents results of RFP Process for Interim Financing to Authority Board.   | December 14, 2023   |   |
| Award Architect/Engineer contract if interim-funding is approved.   | December 14, 2023   |   |
| Close on Interim Financing.   | December 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 (“2025 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 (“2025 Bonds”) would fund remaining Project Costs and permanently finance the 2023 Bond Anticipation Note.
- Approximate amounts for the 2025 Grant Anticipation Note and the 2025 Bonds are provided in the table below:

| Borrowing    | Project Costs Borrowed        | Planning Interest Rate | Term  |
|--------------|-------------------------------|------------------------|---|
| 2025 GAN     | \$14.4 million <sup>(1)</sup> | 4.50%                  | 3 Years   |
| 2025 Bonds   | \$34.6 million <sup>(2)</sup> | 5.50%                  | 27 Years<br>(2 years interest only;<br>25 years level debt service) |
| <b>Total</b> | <b>\$49 million</b>           |                        |   |

- 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                            |
|--|---------------------------------|
| Close on Interim Financing.  | December 2023                   |
| Design phase begins with community and stakeholder engagement.   | February 2024-<br>February 2025 |
| Complete Construction Documents/Secure County Design Approvals.  | February 2025                   |
| Authority Board approves final design  | March 2025                      |
| Advertise for Construction Bids.   | March 2025                      |
| Receive Construction Bids.   | April 2025                      |
| Negotiate Construction Contract.   | April 2025                      |
| Davenport presents resolution to member jurisdictions approving the Authority Board to seek permanent financing.   | April - May 2025                |
| Davenport presents results of RFP Process for Grant Anticipation Note and permanent financing to Authority Board for approval  | May 2025                        |
| 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 2025                       |
| Notice to Proceed (Construction).  | June 2025                       |
| Final Completion of Project.   | June 2027* TBD                  |
| Repayment of GAN from receipt of Commonwealth Grant.   | June 2027                       |

# Projected Debt Service & Budgetary/Cashflow Impact



|  | A                      | B                      | C                        | D = sum A:C                                | 39.9%                              | 14.7%                     | 45.4%                        |
|--|------------------------|------------------------|--------------------------|--|------------------------------------|---------------------------|------------------------------|
| Aggregate Projected Debt Service and Budgetary/Cashflow Impact to Member Jurisdictions |                        |                        |                          |  |                                    |                           |                              |
| Fiscal Year  | Proj. 2023<br>BAN D.S. | Proj. 2025<br>GAN D.S. | Proj. 2025<br>Bonds D.S. | Proj. Total<br>Member<br>Jurisdiction D.S. | Charlottesville<br>D.S. Allocation | Nelson D.S.<br>Allocation | Albemarle D.S.<br>Allocation |
| 2024   | \$ 101,250             | \$ -                   | \$ -                     | \$ 101,250                                 | \$ 40,368                          | \$ 14,924                 | \$ 45,957                    |
| 2025   | 202,500                | -                      | -                        | 202,500                                    | 80,737                             | 29,849                    | 91,915                       |
| 2026   | -                      | 652,500                | 1,944,250                | 2,596,750                                  | 1,035,324                          | 382,761                   | 1,178,665                    |
| 2027   | -                      | 652,500                | 1,944,250                | 2,596,750                                  | 1,035,324                          | 382,761                   | 1,178,665                    |
| 2028   | -                      | -                      | 2,634,250                | 2,634,250                                  | 1,050,275                          | 388,288                   | 1,195,686                    |
| 2029   | -                      | -                      | 2,636,300                | 2,636,300                                  | 1,051,093                          | 388,591                   | 1,196,617                    |
| 2030   | -                      | -                      | 2,636,150                | 2,636,150                                  | 1,051,033                          | 388,569                   | 1,196,548                    |
| 2031   | -                      | -                      | 2,633,800                | 2,633,800                                  | 1,050,096                          | 388,222                   | 1,195,482                    |
| 2032   | -                      | -                      | 2,634,250                | 2,634,250                                  | 1,050,275                          | 388,288                   | 1,195,686                    |
| 2033   | -                      | -                      | 2,637,225                | 2,637,225                                  | 1,051,462                          | 388,727                   | 1,197,036                    |
| 2034   | -                      | -                      | 2,637,450                | 2,637,450                                  | 1,051,551                          | 388,760                   | 1,197,139                    |
| 2035   | -                      | -                      | 2,634,925                | 2,634,925                                  | 1,050,545                          | 388,388                   | 1,195,992                    |
| 2036   | -                      | -                      | 2,634,650                | 2,634,650                                  | 1,050,435                          | 388,347                   | 1,195,868                    |
| 2037   | -                      | -                      | 2,636,350                | 2,636,350                                  | 1,051,113                          | 388,598                   | 1,196,639                    |
| 2038   | -                      | -                      | 2,634,750                | 2,634,750                                  | 1,050,475                          | 388,362                   | 1,195,913                    |
| 2039   | -                      | -                      | 2,634,850                | 2,634,850                                  | 1,050,515                          | 388,377                   | 1,195,958                    |
| 2040   | -                      | -                      | 2,636,375                | 2,636,375                                  | 1,051,123                          | 388,602                   | 1,196,651                    |
| 2041   | -                      | -                      | 2,634,050                | 2,634,050                                  | 1,050,196                          | 388,259                   | 1,195,595                    |
| 2042   | -                      | -                      | 2,632,875                | 2,632,875                                  | 1,049,727                          | 388,086                   | 1,195,062                    |
| 2043   | -                      | -                      | 2,637,575                | 2,637,575                                  | 1,051,601                          | 388,779                   | 1,197,195                    |
| 2044   | -                      | -                      | 2,637,600                | 2,637,600                                  | 1,051,611                          | 388,782                   | 1,197,207                    |
| 2045   | -                      | -                      | 2,632,950                | 2,632,950                                  | 1,049,757                          | 388,097                   | 1,195,096                    |
| 2046   | -                      | -                      | 2,633,625                | 2,633,625                                  | 1,050,026                          | 388,196                   | 1,195,402                    |
| 2047   | -                      | -                      | 2,634,075                | 2,634,075                                  | 1,050,206                          | 388,263                   | 1,195,607                    |
| 2048   | -                      | -                      | 2,634,025                | 2,634,025                                  | 1,050,186                          | 388,255                   | 1,195,584                    |
| 2049   | -                      | -                      | 2,633,200                | 2,633,200                                  | 1,049,857                          | 388,134                   | 1,195,209                    |
| 2050   | -                      | -                      | 2,636,325                | 2,636,325                                  | 1,051,103                          | 388,594                   | 1,196,628                    |
| 2051   | -                      | -                      | 2,637,850                | 2,637,850                                  | 1,051,711                          | 388,819                   | 1,197,320                    |
| 2052   | -                      | -                      | 2,637,500                | 2,637,500                                  | 1,051,571                          | 388,768                   | 1,197,161                    |
| <b>Total</b>   | <b>\$ 303,750</b>      | <b>\$ 1,305,000</b>    | <b>\$ 69,771,475</b>     | <b>\$ 71,380,225</b>                       | <b>\$ 28,459,296</b>               | <b>\$ 10,521,445</b>      | <b>\$ 32,399,484</b>         |

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 2024 estimates and are subject to change based upon future jail population (i.e. inmate days).



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# Appendix

# Projected Aggregate Sources & Uses



## 2023 BAN

|                      | 2023 BAN  |                  |
|----------------------|-----------|------------------|
| <b>Sources</b>       |           |                  |
| Par Amount           | \$        | 4,500,000        |
| <b>Total Sources</b> | <b>\$</b> | <b>4,500,000</b> |
| <b>Uses</b>          |           |                  |
| Project Fund         | \$        | 4,150,380        |
| Capitalized Interest |           | -                |
| Cost of Issuance     |           | 349,620          |
| Add. Proceeds        |           | -                |
| <b>Total Uses</b>    | <b>\$</b> | <b>4,500,000</b> |

## 2025 GAN / 2025 Bonds

|                      | 2025 GAN  |                   | 2025 Bonds |                   | Total     |                   |
|----------------------|-----------|-------------------|------------|-------------------|-----------|-------------------|
| <b>Sources</b>       |           |                   |            |                   |           |                   |
| Par Amount           | \$        | 14,500,000        | \$         | 35,350,000        | \$        | 49,850,000        |
| <b>Total Sources</b> | <b>\$</b> | <b>14,500,000</b> | <b>\$</b>  | <b>35,350,000</b> | <b>\$</b> | <b>49,850,000</b> |
| <b>Uses</b>          |           |                   |            |                   |           |                   |
| Project Fund         | \$        | 14,400,000        | \$         | 30,449,620        | \$        | 44,849,620        |
| 2023 BAN Takeout     |           | -                 |            | 4,500,000         |           | 4,500,000         |
| Capitalized Interest |           | -                 |            | -                 |           | -                 |
| Cost of Issuance     |           | 100,000           |            | 400,000           |           | 500,000           |
| Add. Proceeds        |           | -                 |            | 380               |           | 380               |
| <b>Total Uses</b>    | <b>\$</b> | <b>14,500,000</b> | <b>\$</b>  | <b>35,350,000</b> | <b>\$</b> | <b>49,850,000</b> |



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