Davenport & Company

Financial Considerations of Strategic Long-Term Planning

Prepared for: 2023 TGFOA Fall Conference

TGFOA

TENNESSEE GOVERNMENT FINANCE OFFICERS ASSOCIATION

ENHANCING GOVERNMENTAL FINANCE IN TENNESSEE

DAVENPORT PUBLIC FINANCE 1863

September 27-29, 2023

Goals & Objectives

- Be proactive in order to mitigate budgetary impacts, reduce costs and/or obligations.
- Create Modeling for:
  - Measuring Historical trends;
  - Assessing Current Fiscal Health and Existing Debt Obligations; and
  - Projecting future resources and obligations in conjunction with future needs.
- Develop a Capital Improvement Program ("CIP") that:
  - Prioritizes needs;
  - Provides estimated costs and timing over a 5+ fiscal year period; and
  - Encourages/Includes Community involvement and transparency.
- Establish Financial Policy Guidelines to ensure fiscal stability and sustainability.
- Identify all potential Funding Options that may be available (i.e., Reserves, Grants, and various Financing mechanisms).
- Develop a Strategic Plan of Finance that balances Cash versus Debt.
- Execute the plan and then revisit the modeling frequently/periodically.

Creating the Foundation in Conjunction with "Best Practices"

- Conduct a Comprehensive Review (SWOC Analysis) in order to determine:
  - Strengths
  - Weaknesses
  - Opportunities
  - Challenges

- Evaluate Existing Budget, Debt Profile, and Cash Balances/Flows.

- Establish/Review/Enhance Financial Policy Guidelines.

- Develop a Strategic Long-Term Plan (and related modeling) to:
  - Enhance the Strengths of the local government entity while taking advantage of the Opportunities; and
  - Address Weaknesses over time and proactively plan to meet Challenges down the road.

Key Considerations

- **Budget:** Are we structurally Balanced?
- **Trends:** What have our historical trends been?
  - Revenues, Expenditures, Reserves, among others
- **Projections:** Do we currently perform? What assumptions do we use? How do we determine those assumptions?
- **Existing Debt:** What does our current Debt Profile look like?
  - Increasing, Level, or Declining?
  - Fixed or Variable Rates?
  - Any opportunities for Cash Flow Savings through a Refunding or Restructuring?
- **CIP Needs:** Is it just a wish list? Have we prioritized? Are we using today's dollars or built in escalation of costs over time? Have we identified potential grant opportunities and/or other funding mechanisms?

Creating the Foundation for Long-Term Strategic Planning

Selected GFOA Best Practices

- Long-Term Strategic Planning
  - Happens *well before the timing and need for funding occurs*.
  - Developing the appropriate analytical tools to project and measure potential impacts allows time for transparency and acceptance by the governing body and citizenry.
- Balanced Budgeting
  - *Matching "Recurring" Operating Revenues to Operating Expenses without the use of "One-Time" Funds*.
- Debt Management
  - Striking the balance between using (i) annual surpluses from operations, (ii) "One-Time" Funds, and (iii) an appropriate amount of Leverage/Debt.
  - *Matching sources to tax/rate-payers serviced over an appropriate period of time.*
- Treasury & Investment Management
  - Understand how Cash balances ebb/flow during the Fiscal Year to avoid expensive interim financing between collections – *the Audited Fund Balance is only a point in time*.
  - Positioning Cash/Reserves to take advantage of investment strategies can enhance interest earnings and future affordability.
- Financial Policies
  - Setting *parameters that allow for fiscal responsibility without impeding progress*.
  - Survives ever-changing Staff and Governing Bodies through the years.

Long-Term Capital Planning

Comprehensive
Sustainable
Resilient

- Funding strategies should align with expected project requirements while sustaining the financial health of the government.
- Projections of the amount and timing of the capital financing.
- Evaluate the affordability of the financing strategy, including the impact on debt ratios, applicable tax rates, and/or service fees.

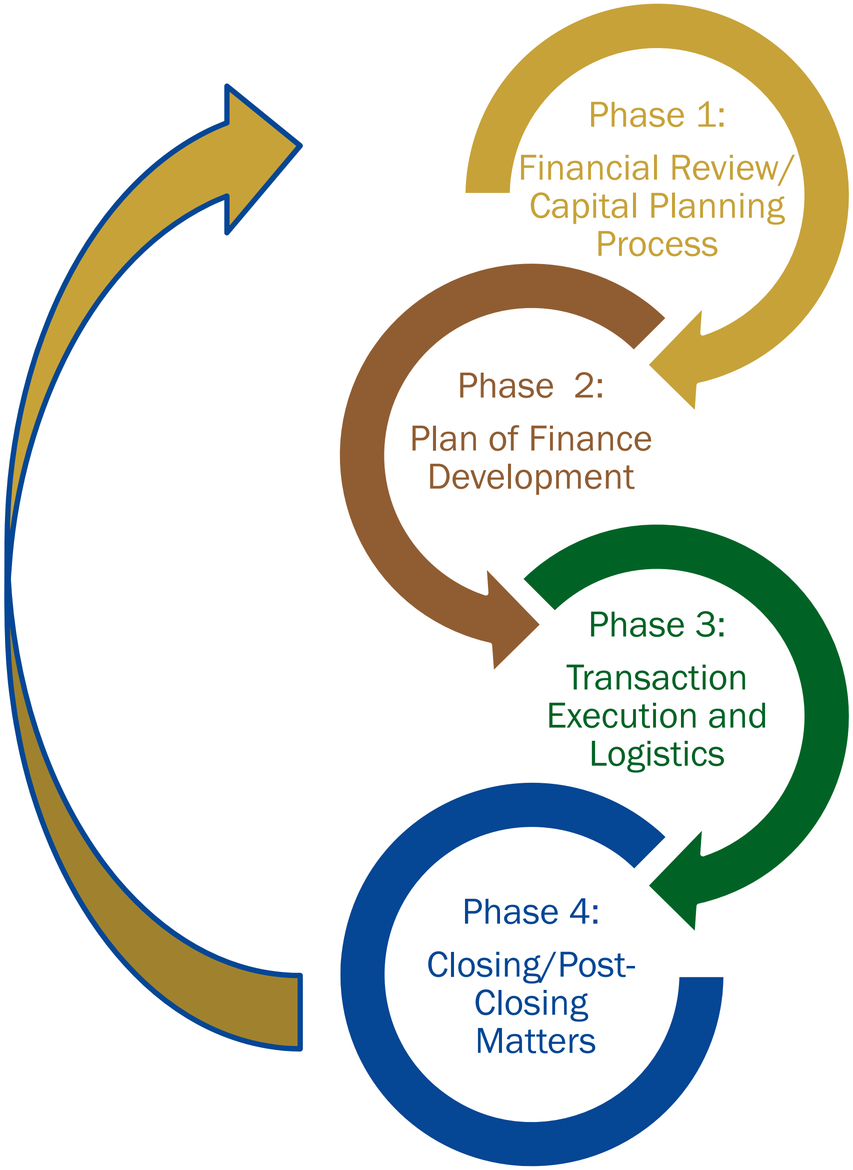
Multi-Year

- Multi-year financing plan covering 5+ Years.
- Ensure effective management of capital assets over lifecycles.
- Capital planning is critical to maintaining facilities, water, sewer, transportation, sanitation, and other essential public services to constituents.
- Capital facilities and infrastructure are important legacies that serve current and future generations.

Prioritized & Phased

- Health and Safety: Priority should be given to high risk safety issues.
- Asset Preservation: Capital assets that require renewal or replacement based on capital asset life cycle.
- Service/Asset Expansion/Addition: Infrastructure improvements needed to support government's policies, plans, and studies.

Long-Term Strategic Planning



Phase 1:

Financial Review/Capital Planning Process

Phase 2:

Plan of Finance Development

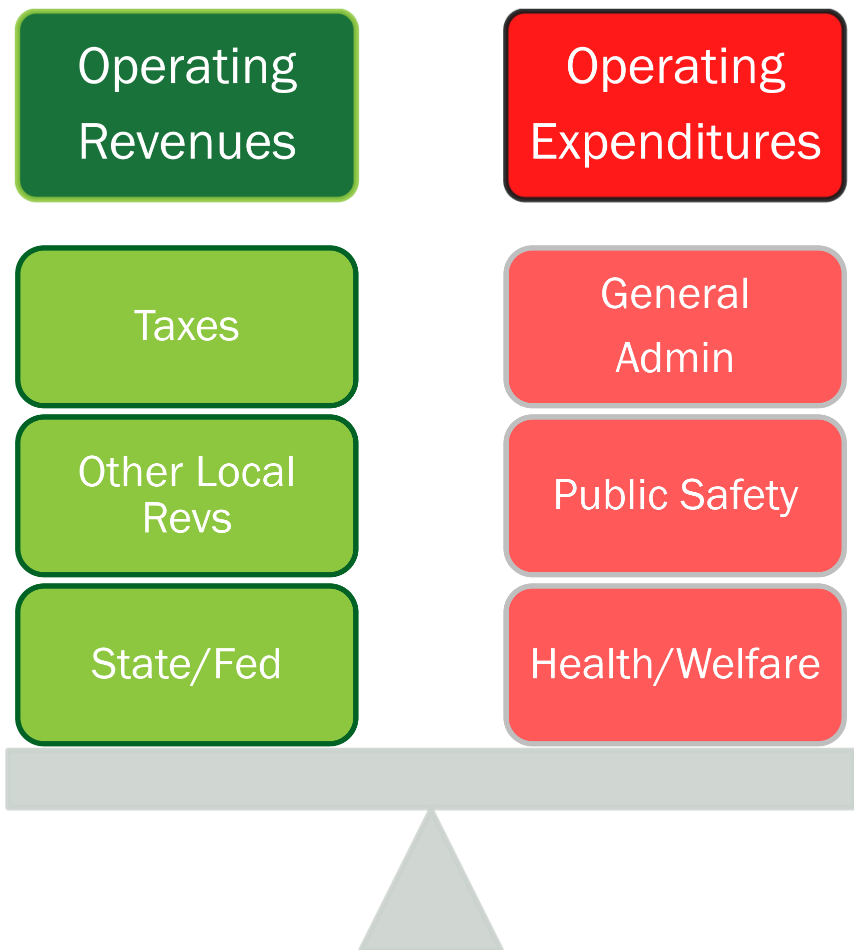
Phase 3:

Transaction Execution and Logistics

Phase 4:

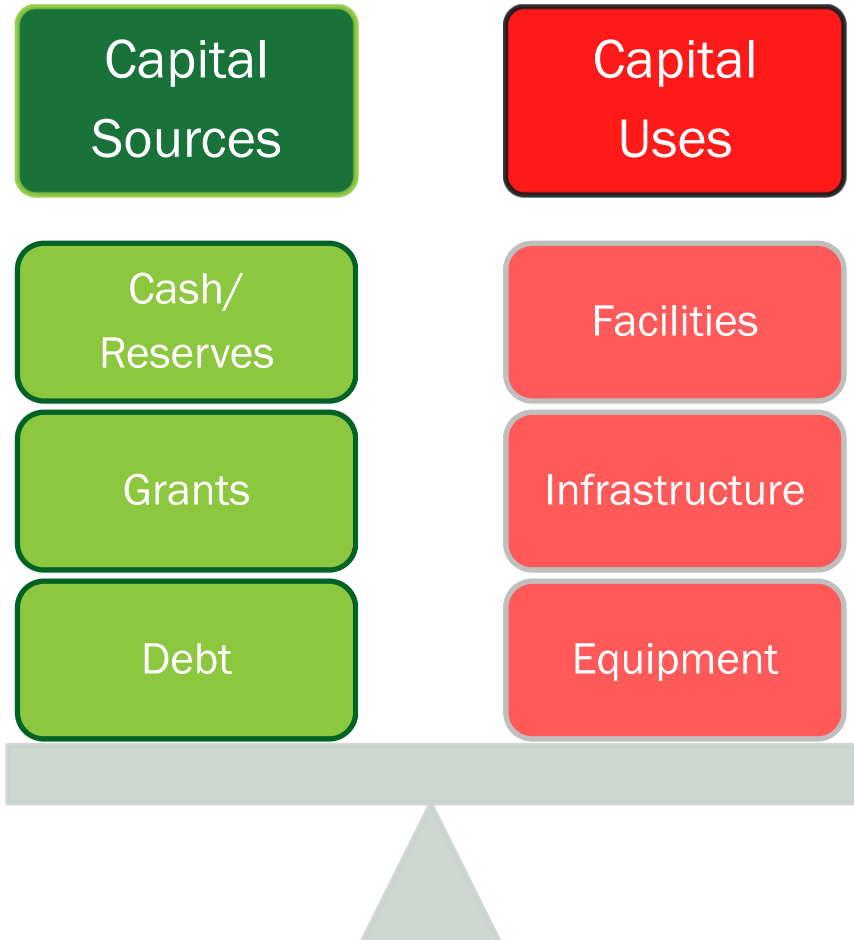
Closing/Post-Closing Matters

Budgeting



- Before embarking on a capital program, ensure that Annually Recurring Revenues are sufficient to meet on-going Expenditures.
  - Question: Are we generating surpluses that can be used towards building Fund Balance to healthy levels or funding “Pay-as-you-Go” projects that may not warrant financing?
- The common theme for Local Governments is to “Do More with Less”.
  - This may lead to using Fund Balance to plug the gap until the “Cookie Jar” is empty and then the inevitable occurs ---- *“We **have** to raise revenues to cover operations and to replenish reserves” --- kicking the can may double the potential impact.*
  - Analytical modeling can assist in the decision making process regarding a blended approach to generating new resources versus a single source.
- Having a Long-Term Strategic Plan is proactive in identifying the appropriate level of resources needed for sustainability and mitigates the need for “Sticker Shock” down the road.

Balanced Budgeting | Capital Investment



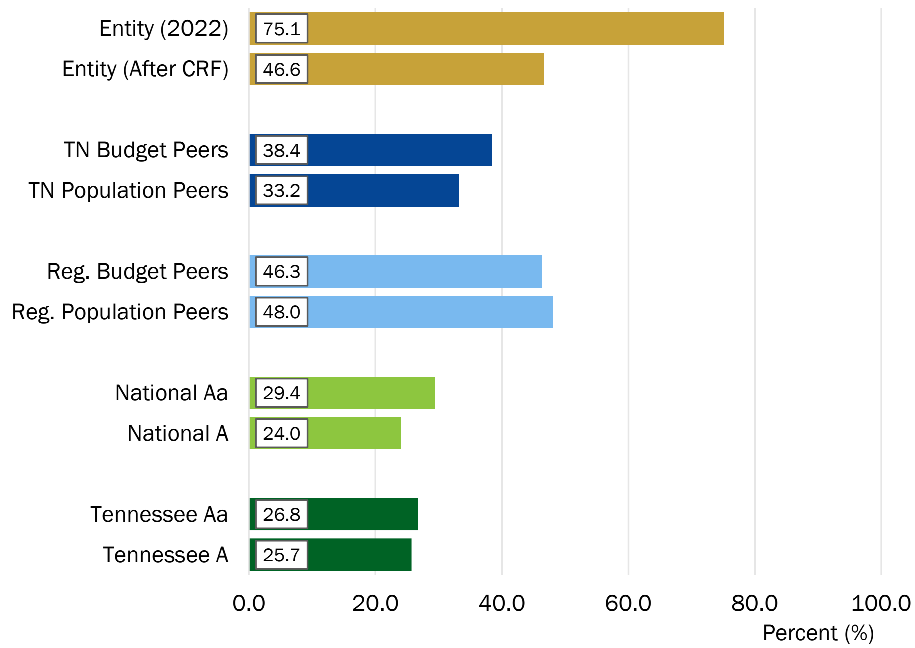
- Being proactive in establishing a Long-Term Strategic Plan allows time for assessing:
  - The appropriate amount of cash from reserves or operations that may be available to avoid excessive debt;
  - Grant Funding that may be available to offset project costs; and
  - Determining when and how much Debt would be appropriate.

- Proactively driving the process to implement timely Asset Renewal & Replacement should help avoid periods of:
  - Service/System interruption and expensive ongoing “band-aid” repairs.
  - Increased escalation in costs;
  - Supply Chain interruptions; and
  - Interest Rate and Market Volatility.

Treasury & Investment Management

Treasury & Investment Management | Fund Balance

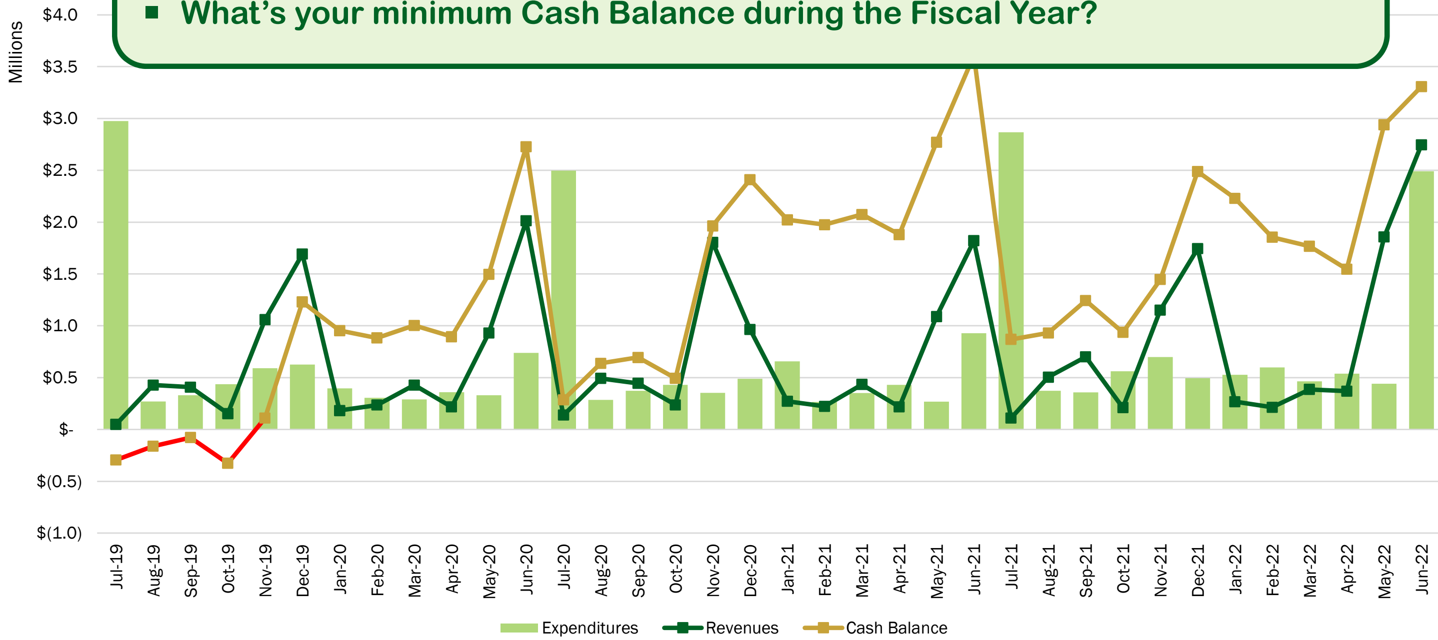
- **What's the appropriate Level of Reserves?**
- **Should our Policy be based on %'s or $'s, or a combination of both?**



- Fund Balance serves as a measure of the financial resources available in a governmental fund.
- While there may be State requirements or "Rules of Thumb" every entity is different.
  - Therefore, conducting a thorough analysis is imperative to ensure appropriate levels and measures are defined.
  - Should the Policy Minimum be based on a specific dollar ($) or percentage (%), or a two-prong test of both?
- GFOA recommends that governments establish a formal policy on:
  - The level of Unrestricted/Unassigned fund balance that should be maintained in the general fund.
  - Such guideline(s) should create a framework for:
    - How the government will increase or decrease fund balance over a specific time period; in particular, how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Treasury & Investment Management | Cash Flows

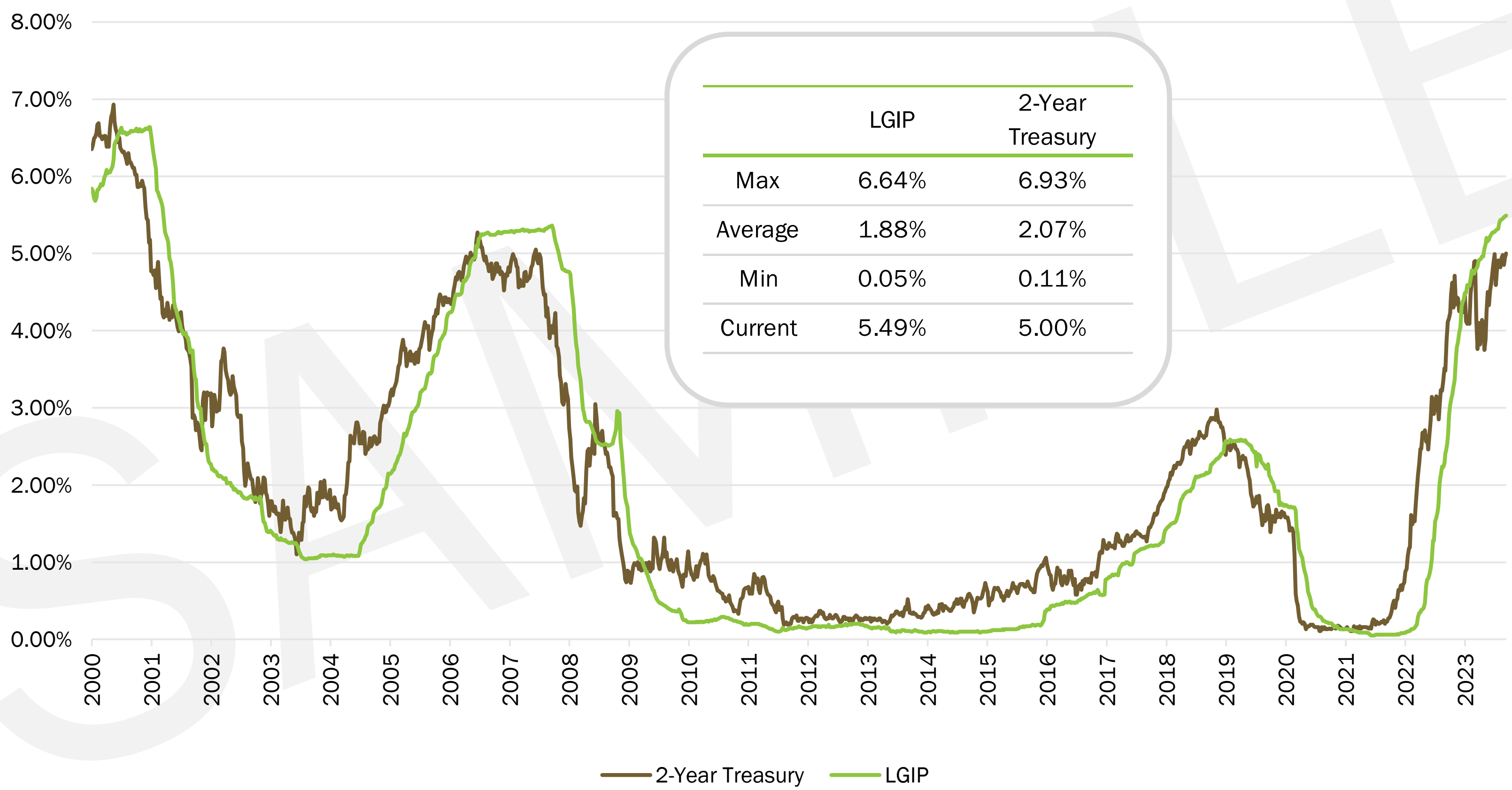
- What's the appropriate amount of your Reserves to Invest and what's appropriate to keep in Operating Funds?
- What's your minimum Cash Balance during the Fiscal Year?



Month	Monthly General Fund Revenues ($) Fiscal Year 2020	2021	2022	Monthly General Fund Expenditures ($) Fiscal Year 2020	2021	2022	Monthly Unrestricted Cash Balance ($) Fiscal Year 2020	2021	2022	% of FY 22 Expenditures
July	$ 48,052	$ 138,530	$ 110,083	$ 2,974,997	$ 2,496,579	$ 2,866,625	$ (294,026)	$ 286,821	$ 868,841	9.5%
August	428,136	492,345	504,794	269,607	284,938	372,954	(161,195)	637,957	930,822	10.1%
September	408,191	445,001	700,296	330,570	373,530	358,238	(79,308)	694,910	1,243,837	13.5%
October	153,872	236,860	210,596	436,601	429,075	560,569	(326,575)	493,968	936,493	10.2%
November	1,058,978	1,805,653	1,151,830	590,738	353,410	698,699	109,467	1,963,206	1,445,896	15.7%
December	1,692,040	964,488	1,743,379	625,979	489,707	494,714	1,229,971	2,410,441	2,488,179	27.1%
January	182,948	271,353	268,350	397,303	657,543	526,011	953,658	2,022,260	2,229,751	24.3%
February	235,886	223,505	214,300	306,820	264,460	600,027	882,769	1,975,463	1,854,374	20.2%
March	428,065	433,999	386,168	291,189	350,249	462,871	1,003,814	2,074,714	1,767,017	19.2%
April	218,130	217,331	370,216	360,970	429,048	539,090	894,544	1,880,082	1,546,746	16.8%
May	929,614	1,089,292	1,857,163	329,922	267,821	442,357	1,495,857	2,769,885	2,938,759	32.0%
June	2,012,313	1,821,087	2,745,974	738,222	928,950	2,489,661	2,727,721	3,608,515	3,307,970	36.0%

Investment Earnings vs. Interest Expense

- **When/How Do I Use Cash?**
- **When/How Do I Use Debt?**



	LGIP	2-Year Treasury
Max	6.64%	6.93%
Average	1.88%	2.07%
Min	0.05%	0.11%
Current	5.49%	5.00%

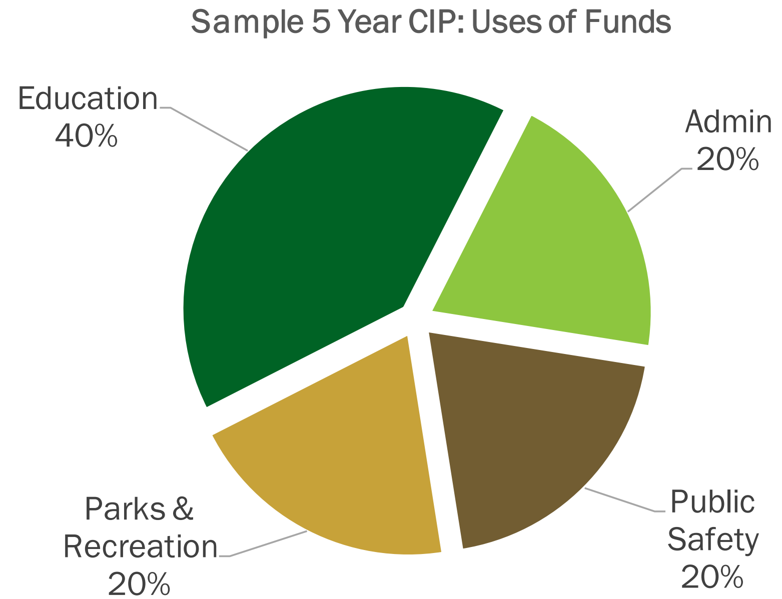
(1) Historical LGIP rates reflected in the chart above are based on the Virginia LGIP which, for the purpose of this analysis, serves as a close proxy for the Tennessee LGIP.
Note: Graph reflects weekly rates as of 7/6/2023.

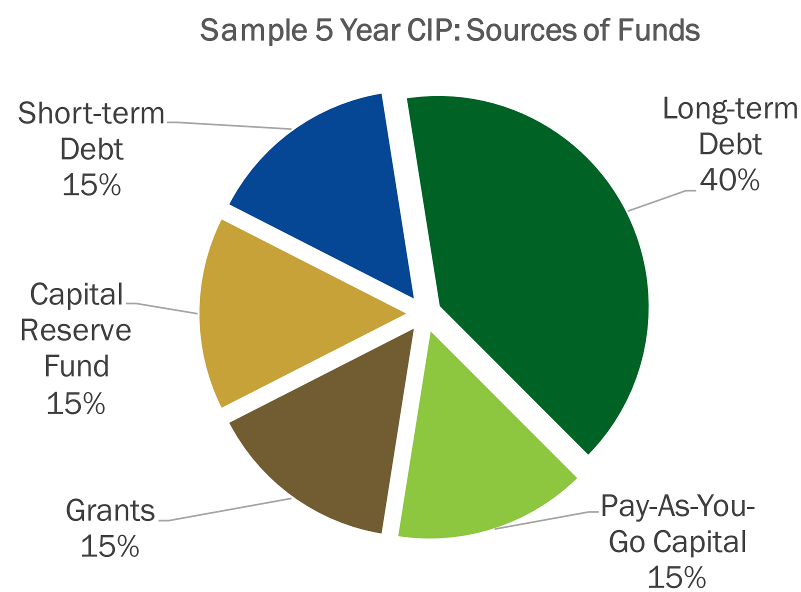
Capital Improvement Program Process

Capital Improvement Plan Overview | Sample

Developing a Multi-Year Capital Improvement Plan ("CIP")

- Identifying realistic capital and maintenance needs (not a wish list) including:
  - One-time and major capital items;
  - Ongoing capital needs (i.e., annual maintenance, rolling stock, etc.); and
  - Related operational costs.
- Establishing realistic "Timing" for projects clarifies how/what funding sources can be assigned for all projects with a balanced approach of pay-as-you-go cash, grants, reserves and debt.
- Analyzing potential operating budget impacts associated with planned capital projects and identify existing revenues available:
  - Current Budgeted Debt Service Levels;
  - Annual recurring funding for vehicles, equipment, information technology, etc.;
  - Establish (or create) reserves/surpluses to be utilized to supplement or defray near-term (one to multiple years) of "peak requirements" that may only temporarily exceed current funding levels; and
  - Identifying and preserving offsetting revenues for current expenditures that will step-down in future years such that these are not absorbed into the operational-side of the budget.
- Coordinating the responsibilities and efforts of key decision makers (i.e., Management, Governing Body, Citizens).
- Revisiting this process at regular intervals.
- Adopting a plan at the governing level.



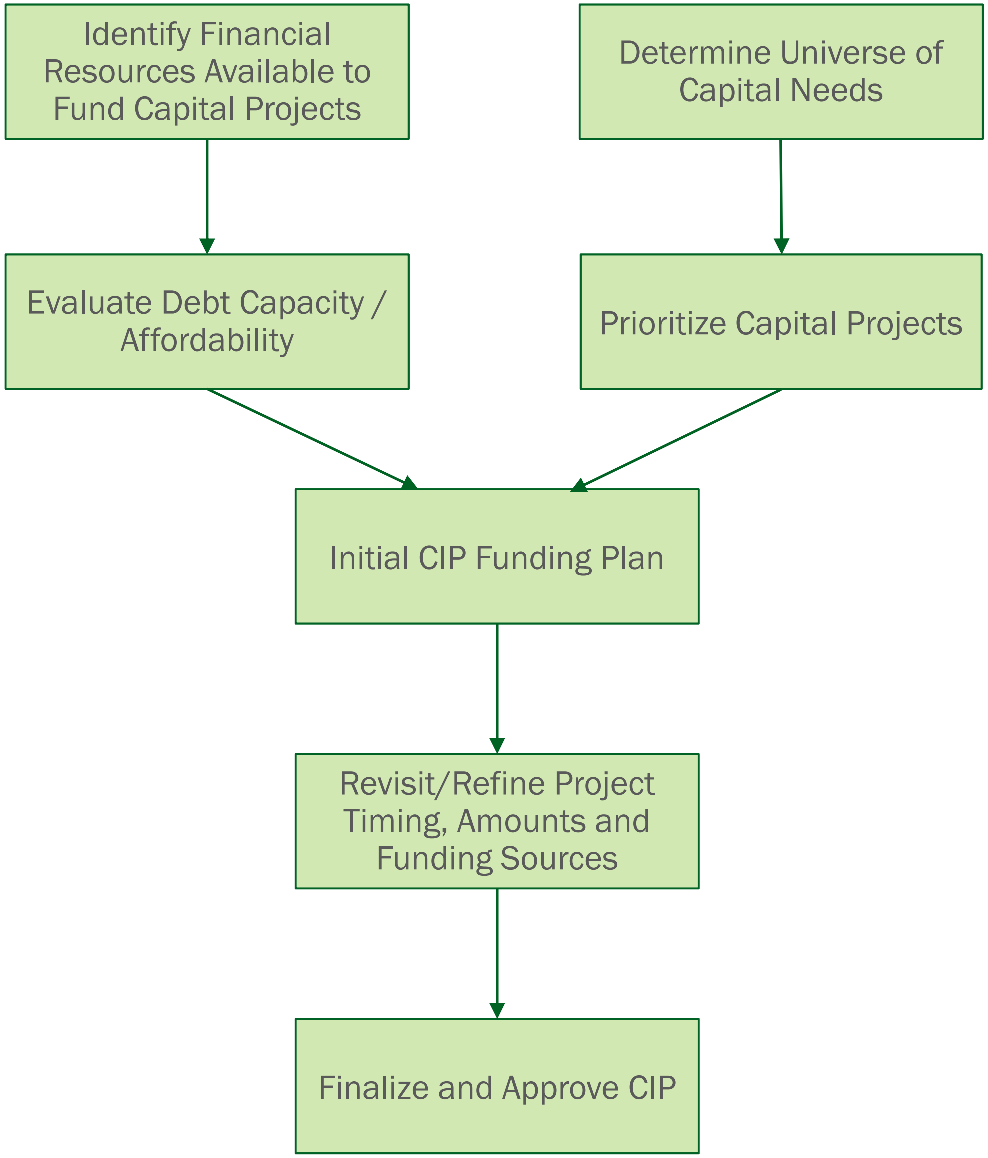


Capital Improvement Plan Initiatives

- Do you have a process of evaluating various priorities and how best to phase in the implementation of the identified projects?

- Consider mapping out a multi-step CIP Development process in order to achieve a balanced & fully funded CIP that addresses identified capital needs:

  1. Identify financial resources available to fund capital projects.
  2. Identify capital needs for the next 5-10 years.
  3. Determine funding capacity/affordability.
  4. Develop an initial CIP and Funding Plan.
  5. Revise CIP to maximize project funding within identified resources.
  6. Finalize and approve the CIP.
  7. Revisit CIP on an annual basis.



Sample CIP

#	Uses	Source: Town	%	Grant	%	2024	2025	2026	2027	2028	Total
	General Fund (Tax-Supported) Projects										
	Public Works										
1	Storage Facility *(new)*	Debt	100%	-	-	$ 150,000	$ -	$ -	$ [illegible]	$ -	$ 150,000
2	Trash Truck *(new)*	Cash	100%	-	-	-	280,000	-	-	-	280,000
3	Beach Rake & Tractor *(new)*	Cash	100%	-	-	-	200,000	-	-	-	200,000
4	Right of Way (ROW) Study *(new)*	Cash	100%	-	-	35,000	-	-	-		35,000
5	HVAC System Replacement-Town Hall *(new)*	Debt	100%	-	-	50,000	-	-	-		50,000
6	Street Sweeper Truck	Cash	100%	-	-	-	[illegible]	200,000	-	[illegible]	200,000
7	8th Street Extension Buildout (Classic Shores)	-	-	Cash	100%	-	[illegible]	-	[illegible]	-	374,176
8	10th & 11th Street Buildout (Classic Shores)	-	-	Cash	100%	[illegible]	[illegible]	-	[illegible]	-	848,765
9	Dwight Ave Extension	Debt	50%	Cash	50%	[illegible]	[illegible]	-	[illegible]	-	1,850,000
10	Sidewalk Study (Downtown Business District)	-	-	Cash	100%	-	[illegible]	-	[illegible]	-	-
11	**Total Public Works**					**[illegible] 1,085,000**	**$ [illegible]**	**200,000**	**$ [illegible]**	**-**	**$ [illegible]**
12	**Parks, Recreation & Culture**										
13	Town Pier Refurbishment *(ongoing/new)*	Debt	100%	-	-	60,000	40,000	-	-	[illegible]	100,000
14	Streetscape for Colonial Ave	-	-	Cash	[illegible]	-	50,000	-	-	-	50,000
15	Town Excursion Pier (Municipal Expansion)	TBD	TBD	TBD	[illegible]	[illegible]	-	-	-	-	-
16	Bike path to James Monroe Birthplace	TBD	[illegible]	TBD	[illegible]	[illegible]	-	-	-	-	-
17	Eleanor Park Improvements	-	[illegible]	Cash	[illegible]	-	-	-	-	-	-
18	Park Playground Equipment	-	[illegible]	Cash	[illegible]	-	-	-	-	-	-
19	Business Improvement Grant/Façade Grant	-	[illegible]	Cash	[illegible]	[illegible]	-	-	-	-	25,000
20	**Total Parks, Recreation & Cult[illegible]**					**$ [illegible]**	**$ 90,000**	**$ -**	**$ -**	**$ -**	**$ 175,000**
21	**Administration / Technology**										
22	New Municipal Center (Police Station & Town Hall)	[illegible]	[illegible]	[illegible]	50%	[illegible]	9,500,000	-	-	-	$ 10,400,000
23	**T[illegible]ministration / Technol[illegible]**					**$ [illegible]**	**$ 9,500,000**	**$ -**	**$ -**	**$ -**	**$ 10,400,000**
24	**Public Safety**										
26	Body Camera[illegible]essories *(new)*	[illegible]	50%	[illegible]	50%	50,000	-	-	-	-	50,000
27	Police Vehi[illegible]	Cash	50%	Cash	50%	55,000	55,000	55,000	-	-	165,000
28	Town Park[illegible]arage	TBD	TBD	TBD	TBD	-	-	-	-	-	-
29	**Total Public Safe[illegible]**					**$ 105,000**	**$ 55,000**	**$ 55,000**	**$ -**	**$ -**	**$ 215,000**
30	**Resiliency[illegible]stainability**										
31	Beach Reno[illegible]Beach, Irvin[illegible] Boardwalk) *(new)*	Debt	[illegible]	Cash	50%	150,000	150,000	50,000	-	-	350,000
32	Resiliency Plan & Stormwater Management Pl[illegible]ase I)	-	-	Cash	TBD	-	-	-	-	-	-
33	Monroe Bay Ave Living Shoreline	-	-	Cash	100%	100,000	-	-	-	-	100,000
34	Shoreline Erosion Control (North Beach Proj[illegible]OE)	Debt	50%	Cash	50%	104,250	300,000	158,750	-	-	563,000
35	**Res[illegible] Sustainabilit[illegible]ironmental**					**$ 354,250**	**$ 450,000**	**$ 208,750**	**$ -**	**$ -**	**$ 1,013,000**
36	**Total General Fun[illegible]**					**2,529,250**	**11,575,000**	**463,750**	**1,222,941**	**-**	**15,790,941**
37											
38	**Sources:**										
39	**General Fund (Tax-Supported) Projects**										
40	Grants					1,179,625	5,552,500	131,875	1,222,941	-	8,086,941
41	Town Cash					87,500	507,500	227,500	-	-	822,500
42	Town Debt					1,262,125	5,515,000	104,375	-	-	6,881,500
43	**Total**					**$ 2,529,250**	**$ 11,575,000**	**$ 463,750**	**$ 1,222,941**	**$ -**	**$ 15,790,941**

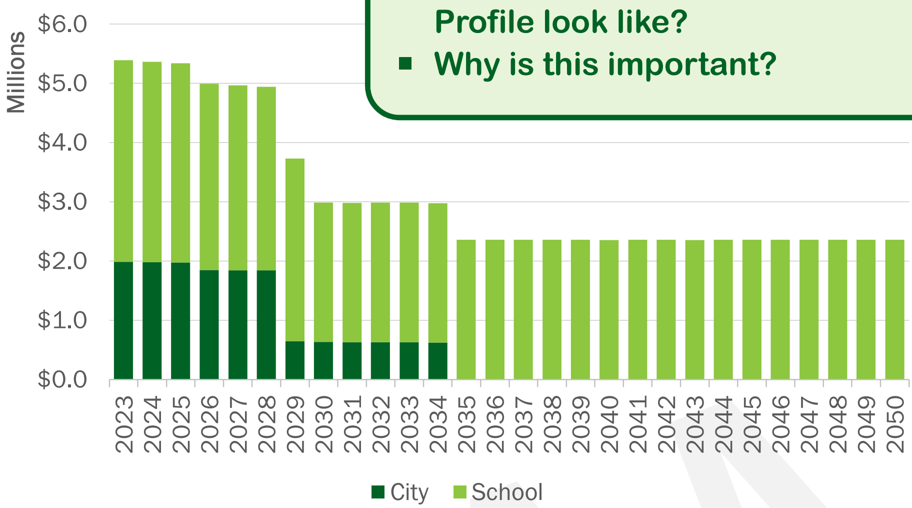
Source: Provided by Town Staff.

Debt Management

Debt Management | Existing Debt Evaluation

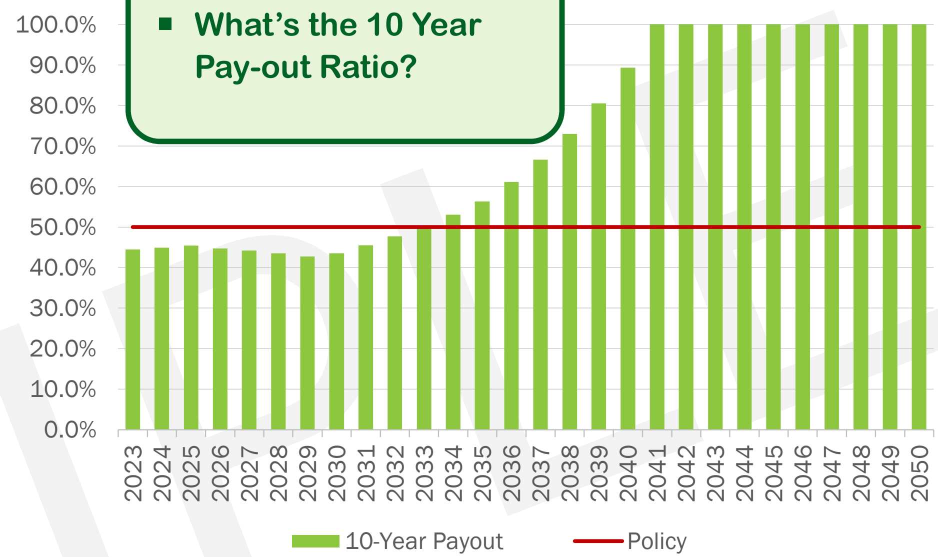
Existing Debt Service

- What does my current Debt Profile look like?
- Why is this important?



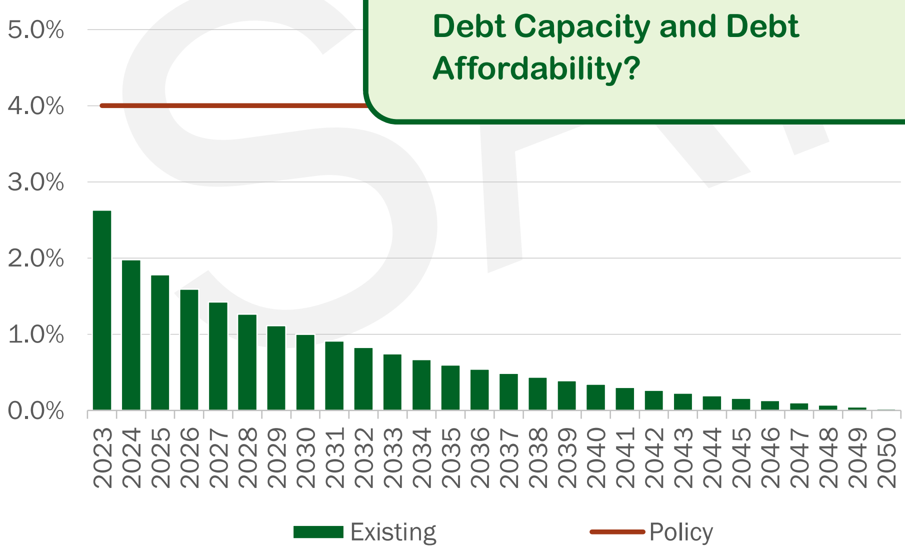
10 Year Pay-out Ratio

- What's the 10 Year Pay-out Ratio?

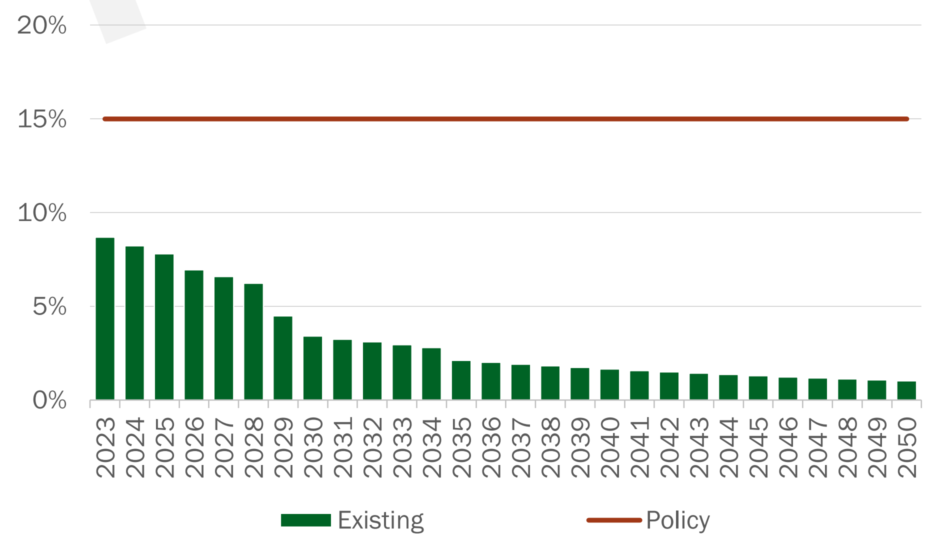


Debt to Assessed Value

- What's the Difference between Debt Capacity and Debt Affordability?



Debt Service to Expenditures



Debt Management | Existing Debt Evaluation

A	B	C	D	E	F
	Obligations		Resources		
FY	Total Adjusted Debt Service Obligations	Net General Fund Recurring Resources	Non-General Fund Resources[1]	Net Budgeted Resources	Net Resources Over (Under)
2023	6,513,794	6,222,297	368,234	6,590,531	76,737
2024	6,396,623	6,222,297	365,420	6,587,717	191,095
2025	6,258,464	6,222,297	365,509	6,587,806	329,342
2026	6,315,374	6,222,297	366,914	6,589,211	273,837
2027	6,038,654	6,222,297	368,424	6,590,721	552,067
2028	5,474,564	6,222,297	370,034	6,592,331	1,117,767
2029	5,386,538	6,222,297	369,719	6,592,016	1,205,478
2030	4,612,626	6,222,297	370,555	6,592,852	1,980,226
2031	4,029,693	6,222,297	223,679	6,445,976	2,416,283
2032	3,322,569	6,222,297	76,895	6,299,192	2,976,624
2033	3,331,550	6,222,297	78,701	6,300,998	2,969,448
2034	2,651,920	6,222,297	-	6,222,297	3,570,377
2035	2,648,080	6,222,297	-	6,222,297	3,574,217
2036	2,647,470	6,222,297	-	6,222,297	3,574,827
2037	1,741,024	6,222,297	-	6,222,297	4,481,273
2038	1,743,353	6,222,297	-	6,222,297	4,478,944
2039	1,360,384	6,222,297	-	6,222,297	4,861,913
2040	1,353,433	6,222,297	-	6,222,297	4,868,865
2041	1,355,398	6,222,297	-	6,222,297	4,866,899
2042	1,350,539	6,222,297	-	6,222,297	4,871,758
2043	-	6,222,297	-	6,222,297	6,222,297
Total	74,532,047	130,668,237	3,324,084	133,992,321	59,460,274

- Obtaining an understanding of an entity's Existing Debt Profile helps to:
  - Determine how much of current resources are being allocated toward Capital Programming;
  - How resources can be retained for future Capital Programming; and
  - Are there any opportunities to save, restructure, and/or lock-in fixed rates versus variable?
- This allows for better perspective on Future Debt Capacity and Debt Affordability.
- **Debt Capacity** is defined as the "relative level(s) of debt an entity can reasonably undertake over a period of years and remain in compliance with its debt policies."
- **Debt Affordability** is defined as the "cash-flow impact to the County's current and future budgets when undertaking a certain level(s) of debt".

Tax Supported Debt "*Capacity*"

	Fiscal Year:	Budget 2022	Projection 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
	Debt Service Fund						
1	**REVENUES**						
2	**Tax Specific Levies - Calculations**						
3	**Total Tax Revenue**	**56,555,292**	**57,233,956**	**58,092,465**	**58,963,852**	**59,848,310**	**54,285,003**
4	**Other Revenues:**						
5	Plus: General Fund Transfer Allocation	**8,405,188**	13,617,688	20,117,688	20,117,688	20,117,688	20,117,688
6	Plus: Interfund Transfers	**5,349,608**	4,920,924	4,970,133	5,019,835	5,070,033	5,120,733
7	Plus: NEW TAX REVENUE: REFERENDUM TEST	**0**	0	0	0	0	0
8	Plus: Other One Time Revenues	**56,425**	(3,311,953)	0	0	0	18,500,000
9	Plus: Interest Earnings	**1,600,000**	1,895,594	2,277,651	2,731,764	2,618,075	2,756,671
10	**TOTAL REVENUES**	**71,966,513**	**74,356,209**	**85,457,937**	**86,833,139**	**87,654,105**	**100,780,095**
11							
12							
13	**DEBT SERVICE AND EXPENDITURES/TRANSFERS OUT**						
14	**Existing Debt Service**						
15	GO Bonds	**34,583,552**	32,222,246	29,628,289	28,685,869	27,707,349	26,627,324
16	Installment Purchases (LOBs)	**23,545,122**	22,936,683	22,318,635	21,273,183	20,160,687	14,439,843
17	PAC Portion of 2016 LOBs	**1,393,242**	1,359,213	1,316,676	1,274,140	1,231,603	1,189,066
18	G.O. Line of Credit Interest	**0**	0	0	0	0	0
19	COPS Line of Credit Interest	**0**	0	0	0	0	0
20	**Total Existing Debt Service**	**59,521,916**	**56,518,142**	**53,263,600**	**51,233,191**	**49,099,639**	**42,256,234**
21							
22	**Projected G.O. Debt Service**						
23	New G.O. Streets/Transporation Debt Service	**0**	0	8,104,754	7,918,564	23,281,186	22,716,242
24	New G.O. Projected Parks Debt Service	**0**	0	6,431,313	6,283,566	6,135,820	5,988,074
25	New G.O. Projected General Govt Debt Service	**0**	0	148,000	144,600	141,200	137,800
26	New G.O. Projected Housing Debt Service	**0**	0	3,044,250	2,966,288	6,113,325	5,949,113
27	Line of Credit Interest	**3,100,000**	3,079,700	1,196,063	4,711,219	0	437,500
28							
29	**Projected LOBs Debt Service**						
30	New LOBs Debt Service	**0**	0	0	2,804,013	32,675,380	31,856,743
31	Line of Credit Interest	**0**	290,201	3,323,513	8,118,635	87,500	437,500
32	**Total Projected Debt Service**	**3,100,000**	**3,369,900**	**22,247,892**	**32,946,884**	**68,434,411**	**67,522,972**
33	Plus: Proj. LOBs Debt Service Capacity Test FY2	**0**	0	16,148	15,745	15,341	14,937
34	**Total Existing and Projected Debt Service**	**62,621,916**	**59,888,042**	**75,527,640**	**84,195,820**	**117,549,391**	**109,794,143**
35	Plus: Other One Time Expenditures	**0**	0	15,000,000	0	0	0
36	Plus: Bond Sale Services	**1,266,425**	1,266,425	1,266,425	1,266,425	1,266,425	1,266,425
37	**TOTAL EXPENDITURES**	**63,888,341**	**61,154,467**	**91,794,065**	**85,462,245**	**118,815,816**	**111,060,568**
38							
39	**EXCESS (DEFICIENCY) Revenue Over Exp/Transfer**	**8,078,172**	**13,201,742**	**(6,336,128)**	**1,370,894**	**(31,161,710)**	**(10,280,473)**
40							
41	**Projected G.O. Bonds**	0	188,446,666	0	189,475,000	0	25,000,000
42	Projected Streets/Transporation	0	87,618,962	0	159,475,000	0	0
43	Projected Parks	0	69,527,704	0	0	0	0
44	Projected General Govt	0	1,600,000	0	0	0	0
45	Projected Housing	0	29,700,000	0	30,000,000	0	25,000,000
46							
47	**Projected LOBs**	0	161,485	28,040,129	299,414,676	0	0
48	Projected LOBs	0	0	28,040,129	299,414,676	0	0
49	Projected LOBs Capacity Test FY2023	0	161,485	0	0	0	0
50	Total Projected New Debt	0	188,608,150	28,040,129	488,889,676	0	25,000,000

The sample model shown tracks specific revenues, expenditures, as well as, existing and projected debt service. Capacity may be based on the use of a Debt Service Fund Balance to assist in offsetting "peak years" of debt service.

	Fiscal Year	A Total Revenue	B Total Expend.	(A-B) Excess (Deficiency)	Fund Balance	Fund Bal % of DS
1	2022	**$ 71,966.5**	**$ 63,888.3**	**$ 8,078.2**	$ 177,320.4	278%
2	2023	**74,356.2**	**61,154.5**	**13,201.7**	190,522.2	312%
3	2024	**85,457.9**	**91,794.1**	**(6,336.1)**	184,186.0	201%
4	2025	**86,833.1**	**85,462.2**	**1,370.9**	185,556.9	217%
5	2026	**87,654.1**	**118,815.8**	**(31,161.7)**	154,395.2	130%
6	2027	**100,780.1**	**111,060.6**	**(10,280.5)**	144,114.7	130%
7	2028	**82,415.5**	**109,931.5**	**(27,516.0)**	116,598.7	106%
8	2029	**82,635.5**	**106,848.6**	**(24,213.1)**	92,385.6	86%
9	2030	**82,935.8**	**103,985.0**	**(21,049.2)**	71,336.4	69%
10	2031	**83,332.1**	**100,361.6**	**(17,029.6)**	54,306.8	54%
11	2032	**83,916.3**	**92,147.0**	**(8,230.6)**	46,076.2	**50%**
12	2033	**84,661.4**	**85,308.9**	**(647.6)**	45,428.6	53%
13	2034	**85,449.0**	**84,395.7**	**1,053.2**	46,481.9	55%
14	2035	**86,385.7**	**78,172.3**	**8,213.4**	54,695.3	70%
15	2036	**87,387.6**	**76,157.8**	**11,229.7**	65,925.0	87%
16	2037	**88,487.3**	**72,522.8**	**15,964.5**	81,889.5	113%
17	2038	**89,528.2**	**68,221.2**	**21,307.1**	103,196.6	151%
18	2039	**90,634.1**	**65,913.3**	**24,720.8**	127,917.4	194%
19	2040	**91,841.4**	**61,800.2**	**30,041.2**	157,958.6	256%
20	2041	**93,201.0**	**55,141.7**	**38,059.4**	196,018.0	355%

Tax Supported Debt "***Affordability***"

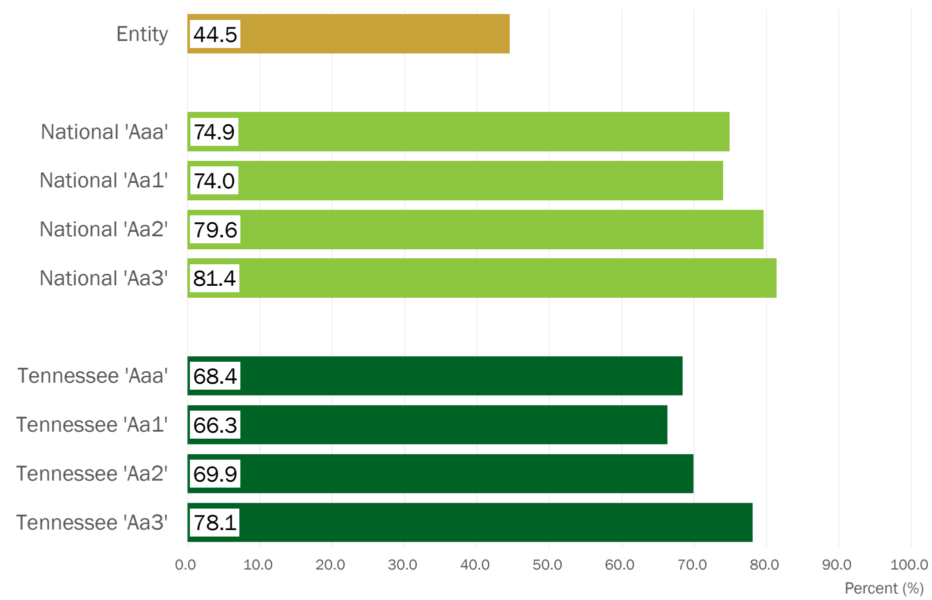
- **How Do we measure Obligations vs. Resources?**
- **What's a Capital Reserve Fund and How do we use it Strategically?**
- **How do we message the potential impact of new projects – Value of 1¢?**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	Debt Service Requirements						Revenue Available for DS				Debt Service Cash Flow Surplus (Deficit)						
FY	Existing City Debt Service	Existing Schools Debt Service	Projected Debt Service	Proposed CIP Pay-go Funded	CIP Operating Impact	Total	Budgeted Revenues Available	Prioir Year Carry-Over	Other Available Revenue Sources	Total Available Revenue	Surplus/ (Deficit)	Revenue From Prior Tax Impact	Debt Service Sinking Fund Utilized	Adjusted Surplus/ (Deficit)	Estimated Incremental Tax Equivalent	Debt Service Sinking Fund Balance(1)	Minimum Debt Service Sinking Fund Balance(3
2022																4,968,260	
2023	1,984,503	3,402,066	-	-	-	5,386,569	4,444,415	400,000		4,844,415	(542,154)	-	(542,154)	-	-	4,426,106	821,790
2024	1,976,734	3,383,117	-	-	-	5,359,851	5,591,903			5,591,903	232,052	-	-	232,052	-	4,658,159	778,555
2025	1,974,164	3,362,084	-	-	-	5,336,248	5,591,903			5,591,903	255,655	-	-	255,655	-	4,913,814	730,670
2026	1,843,032	3,145,799	-	-	-	4,988,831	5,591,903			5,591,903	603,072	-	-	603,072	-	5,516,886	680,850
2027	1,841,441	3,121,291	-	-	-	4,962,732	5,591,903			5,591,903	629,171	-	-	629,171	-	6,146,057	632,329
2028	1,841,511	3,097,982	-	-	-	4,939,493	5,591,903			5,591,903	652,410	-	-	652,410	-	6,798,467	582,259
2029	647,185	3,082,682	-	-	-	3,729,867	5,591,903			5,591,903	1,862,036	-	-	1,862,036	-	8,660,503	531,069
2030	632,222	2,351,880	-	-	-	2,984,102	5,591,903			5,591,903	2,607,801	-	-	2,607,801	-	11,268,304	490,183
2031	625,316	2,352,543	-	-	-	2,977,859	5,591,903			5,591,903	2,614,044	-	-	2,614,044	-	13,882,348	455,310
2032	627,128	2,355,049	-	-	-	2,982,177	5,591,903			5,591,903	2,609,726	-	-	2,609,726	-	16,492,075	426,485
2033	625,481	2,356,049	-	-	-	2,981,530	5,591,903			5,591,903	2,610,373	-	-	2,610,373	-	19,102,448	401,610
2034	621,656	2,353,148	-	-	-	2,974,804	5,591,903			5,591,903	2,617,099	-	-	2,617,099	-	21,719,547	375,896
2035	-	2,355,524	-	-	-	2,355,524	5,591,903			5,591,903	3,236,379	-	-	3,236,379	-	24,955,927	349,383
2036	-	2,354,101	-	-	-	2,354,101	5,591,903			5,591,903	3,237,802	-	-	3,237,802	-	28,193,728	330,099
2037	-	2,356,078	-	-	-	2,356,078	5,591,903			5,591,903	3,235,825	-	-	3,235,825	-	31,429,554	310,207
2038	-	2,353,879	-	-	-	2,353,879	5,591,903			5,591,903	3,238,024	-	-	3,238,024	-	34,667,578	289,575
2039	-	2,354,219	-	-	-	2,354,219	5,591,903			5,591,903	3,237,684	-	-	3,237,684	-	37,905,262	268,290
2040	-	2,351,990	-	-	-	2,351,990	5,591,903			5,591,903	3,239,913	-	-	3,239,913	-	41,145,175	246,302
2041	-	2,353,094	-	-	-	2,353,094	5,591,903			5,591,903	3,238,809	-	-	3,238,809	-	44,383,984	223,598
2042	-	2,356,258	-	-	-	2,356,258	5,591,903			5,591,903	3,235,646	-	-	3,235,646	-	47,619,629	200,129
2043	-	2,352,595	-	-	-	2,352,595	5,591,903			5,591,903	3,239,308	-	-	3,239,308	-	50,858,937	175,962
2044	-	2,353,223	-	-	-	2,353,223	5,591,903			5,591,903	3,238,681	-	-	3,238,681	-	54,097,618	151,106
2045	-	2,355,638	-	-	-	2,355,638	5,591,903			5,591,903	3,236,266	-	-	3,236,266	-	57,333,883	131,447
2046	-	2,354,720	-	-	-	2,354,720	5,591,903			5,591,903	3,237,183	-	-	3,237,183	-	60,571,066	111,116
2047	-	2,356,575	-	-	-	2,356,575	5,591,903			5,591,903	3,235,328	-	-	3,235,328	-	63,806,394	90,111
2048	-	2,356,120	-	-	-	2,356,120	5,591,903			5,591,903	3,235,783	-	-	3,235,783	-	67,042,177	68,384
2049	-	2,353,355	-	-	-	2,353,355	5,591,903			5,591,903	3,238,548	-	-	3,238,548	-	70,280,725	45,932
2050	-	2,353,198	-	-	-	2,353,198	5,591,903			5,591,903	3,238,706	-	-	3,238,706	-	73,519,431	23,150
														Total Tax Effect	0.00¢		
Total	15,240,373	72,034,252	-	-	-	87,274,625					68,551,171	-	(542,154)				

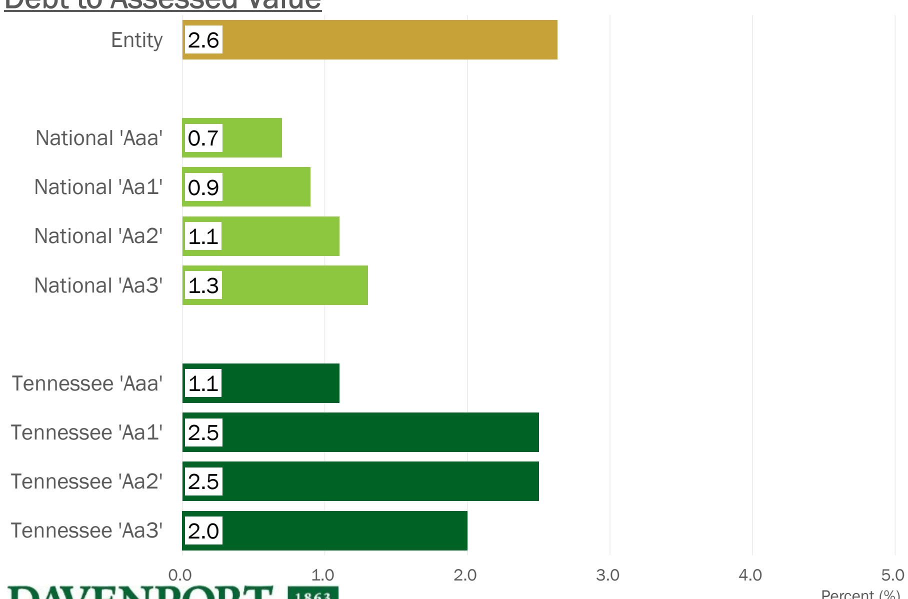
Existing Debt | Are We in Good Shape?

- **How do we compare to our Peers and Industry Standard Benchmarks?**

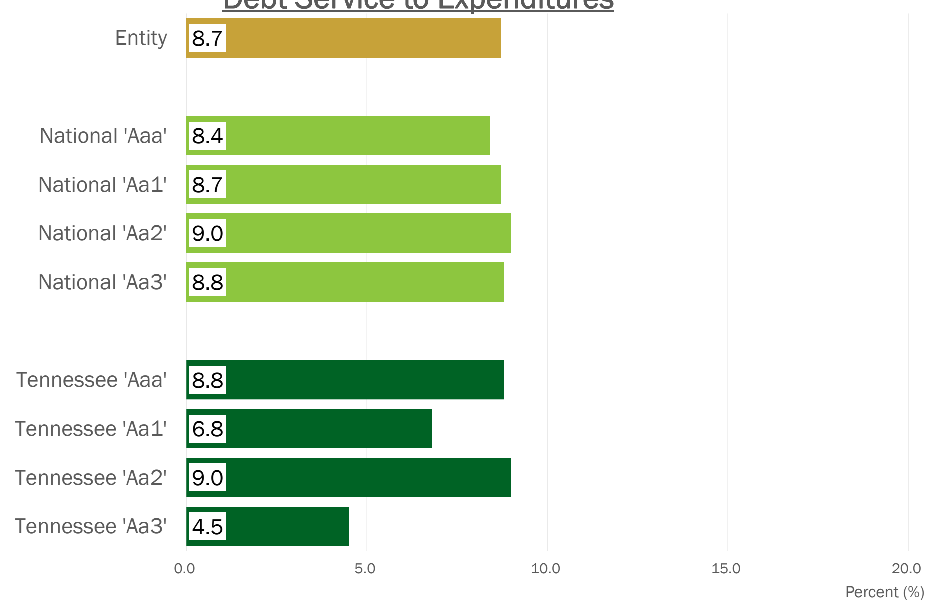
10 Year Pay-out Ratio



Debt to Assessed Value



Debt Service to Expenditures



Rating Agency Scorecard Model

Moody's 2022 Proposed Scorecard

	Economy (30%)	Weight	Input	Score	Wtd. Score	Rating Category
1	Resident Income (MHI Adjusted for RPP / US MHI)	10%	119%	1.72	0.17	Aa
2	Full Value Per Capita	10%	$145,321	2.80	0.28	Aa
3	Economic Growth (Difference Between 5-Yr CAGR in Real GDP and 5-Yr CAGR in Real US GDP)	10%	-0.06%	1.69	0.17	Aa
4	Financial Performance (30%)					
5	Available Fund Balance Ratio	20%	67.5%	0.50	0.10	Aaa
6	Liquidity Ratio	10%	47.8%	1.93	0.19	Aa
7	Institutional Framework (10%)					
8	Institutional Framework	10%	Aaa	1.00	0.10	Aaa
9	Leverage (30%)					
10	Long-Term Liability Ratio	20%	355.4%	7.61	1.52	Baa
11	Fixed Costs Ratio	10%	9.0%	1.40	0.14	Aaa

Prior to notching	2.5 <	2.67	≤ 3.5
Unadjusted Estimated Outcome		Aa2	

Notching Factors		
Additional Strength in Local Resources		
- MHI Adjustment		N/A
- Full Value Adjustment		N/A
Limited Scale of Operations (Downward Factor)		N/A
Financial Disclosures (Downward Factor)		
- Cash Basis Reporting	No	N/A
- Non-GASB Pension Liab.	No	N/A
- Non-GASB Pension Cost	No	N/A
Potential Cost Shift to or from the State		From Moody's Assessment of State
Potential for Significant Change in Leverage		
- PASI		N/A
- Pension Tread Water Gap		N/A
- Defined Contribution Plan	No	N/A
- Capital Assets Deprec. Ratio		N/A

- **How do the Credit Markets View Us?**

Funding Options

Overview of Potential Funding Options

Banks

- **Timing:** Typically provides the most flexibility to locality and can be accomplished between 30 to 90 days
- **Final Maturity:** Banks may be willing to provide up to 20 Years.
- **Closing Costs:** Cost effective because ratings and offering documents are not usually required.
- **Interest Rates:** Based on market and may be fixed through maturity.

Public Markets

- **Timing:** Locality and advisors tend to control the timing of issuance; however, the process typically takes longer than a Bank Loan process (i.e., up to approximately 120 days).
- **Final Maturity:** Investors may be willing to provide up to 30 Years.
- **Closing Costs:** Typically higher than Bank Loan due to requirements for ratings and offering documents; however, locality may have access to more potential investors.
- **Interest Rates:** Based on market and may be fixed through maturity.

Fed/State Programs

- **Timing:** *Varies* -- Governmental programs may have specific times of the year for applications to be submitted, considered for approval, and when funds would be available. Additionally, some programs require Interim Funding prior to Long Term Funding being executed.
- **Final Maturity:** May allow for longer pay-back period to meet affordability constraints (i.e., up to 40 Years).
- **Closing Costs:** Varies – Depending upon the program, there may be additional feasibility or other intensive reporting that may require additional consultants to leverage their expertise.
- **Interest Rates:** May be “Below Market” and/or include principal forgiveness.

Key Considerations Ahead of Borrowing

- **Reimbursement Resolution**
  - If the potential is there to spend cash ahead of executing a borrowing, consider putting a Reimbursement Resolution in place to replenish reserves using bond proceeds.
  - The resolution itself is not a commitment; rather, it preserves the flexibility to do so.

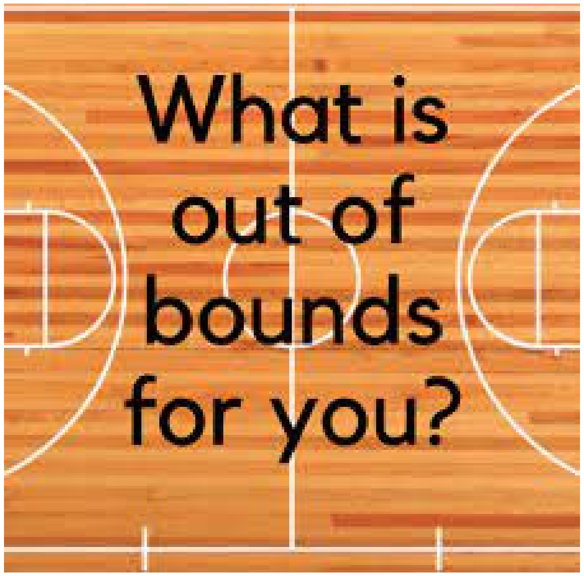
- **Ordinance and/or Authorizing Resolution**
  - May specify certain "not-to-exceed" parameters under which debt funding will be issued.
  - Parameters should be set such that flexibility to execute in a timely manner is not disrupted; at the same time, the amounts should consider what is Politically Palatable. ✶

    ✶ *Again, proactively planning and messaging throughout the Long-term Strategic Planning Process provides much needed transparency and understanding in order to effectively garner support from the citizenry/users.*

- **Short-term vs. Long-term Financing Options**
  - During times of market volatility, Long-term interest rates may be in-line with or below a Short-term financing.
  - Assess the situation and determine if an alternative structure can be utilized to proceed with locking-in the lower interest rate and/or most flexible funding option.

Financial Policy Guidelines

Financial Policy Guidelines



- Financial Policy Guidelines are the "guard rails" or "boundaries" within which we function for purposes of Best Practices and ensuring good Fiscal Health.

- Financial policies are central to a strategic, long-term approach to financial management by:
  - Institutionalizing good financial management practices, which:
    - Survive through various administrations; and
    - Promote resiliency, stability and continuity.
  - Memorialize a shared understanding of how the organization will manage its resources to provide the best value to the community.
  - Define the framework within which staff can innovate in order to realize the organization's strategic intent.
  - Support good bond ratings (or financial wherewithal) and thereby reduce the cost of borrowing.
  - Promote long-term and strategic thinking.
  - Manage risks to financial condition.

Questions?

Questions to Be Answered

- Does the local government entity have Financial Policy Guidelines related to:
  - Fund Balance / Cash Reserve Levels?
  - Investments?
  - Debt Capacity and Affordability?

- Does the local government entity have a Long-term Capital Improvement Program Process?

- Does the local government entity perform 5+ Year Projections (Operating and Capital)?
  - Sustainable and Resilient?
  - Strategic or wait for “Sticker Shock”?
  - How do we compare to similar entities?

- How does the local government entity currently invest Fund Balance / Cash Reserves?
  - Is there a predetermined minimum threshold to cover Cash Flows during the Fiscal Year?

Introduction to Davenport Public Finance

R.T. Taylor, Vice President

R.T. Taylor began his professional career as an auditor with Ernst & Young, analyzing the financials of numerous clients throughout various industries; including Fortune 500 client engagements. Mr. Taylor came to Davenport & Company LLC in 2001 and joined the Davenport Public Finance Team in 2004. Mr. Taylor specializes in local government finance throughout the Mid-Atlantic / Southeast Region performing multi-year financial modeling and strategic capital planning, Rating Agency strategy and interaction, debt issuance and execution for various credit structures, economic development projects, and utility enterprise pro forma development. Mr. Taylor received his B.S. in Accounting from Virginia Commonwealth University in Richmond, VA.

Roland M. Kooch, Jr. Senior Vice President

Roland Kooch has worked in public finance since 1993 and has served as Municipal Advisor to public sector and not-for-profit clients throughout the nation. Since joining Davenport in 1998, Mr. Kooch has led the analytical, financial modeling, and credit work on a wide variety of governmental and enterprise system engagements including large, complex municipal issuers, small local government borrowers and troubled entities. Mr. Kooch received his B.S. in business administration with a major in accounting from Georgetown University in Washington, D.C.

Background | Davenport & Company LLC

- Davenport & Company LLC
  - Independent, full-service broker dealer and financial advisory firm.
  - Established in 1863 and has been in consistent operations for 160 years.
  - 100% employee owned
  - Board of Directors, required to be current Davenport employees.

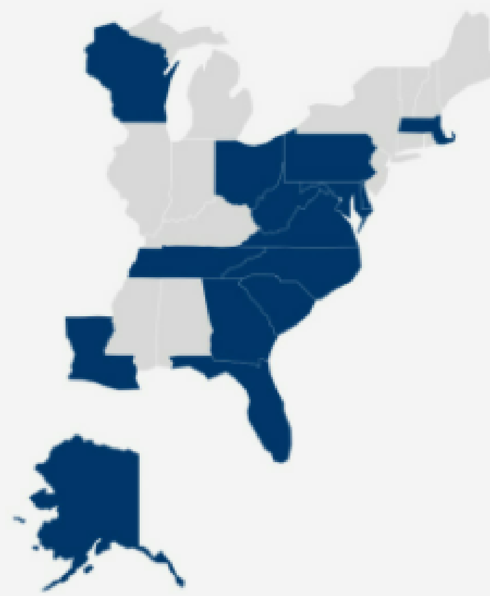
- Davenport's Public Finance Department was established in 1998, and has been growing in operations for the past 25 years.

- Long before Dodd-Frank was enacted, we have held the perspective that we serve as a ***"Fiduciary"*** to our clients first and foremost; not simply transactional in nature. Our clients appreciate the high standard that is reflected in both our advice and deliverables as well as our ability to:
  - Analyze and understand their unique situations; and
  - Prepare and present the message necessary for governing bodies to make informed decisions.

Public Finance Experience

Our Geographical Reach

Beyond our regional footprint, Davenport Public Finance has provided financial advisory services to a diverse group of more than 500 clients nationwide in 15 states.



Public Finance Approach

We emphasize working with our clients at the beginning of the planning process through the use of comprehensive modeling and analytics.

Pro-Active

Our role does not simply begin and end with a particular debt financing.

Holistic

We help our clients navigate financial problems and find creative solutions.

Team Oriented

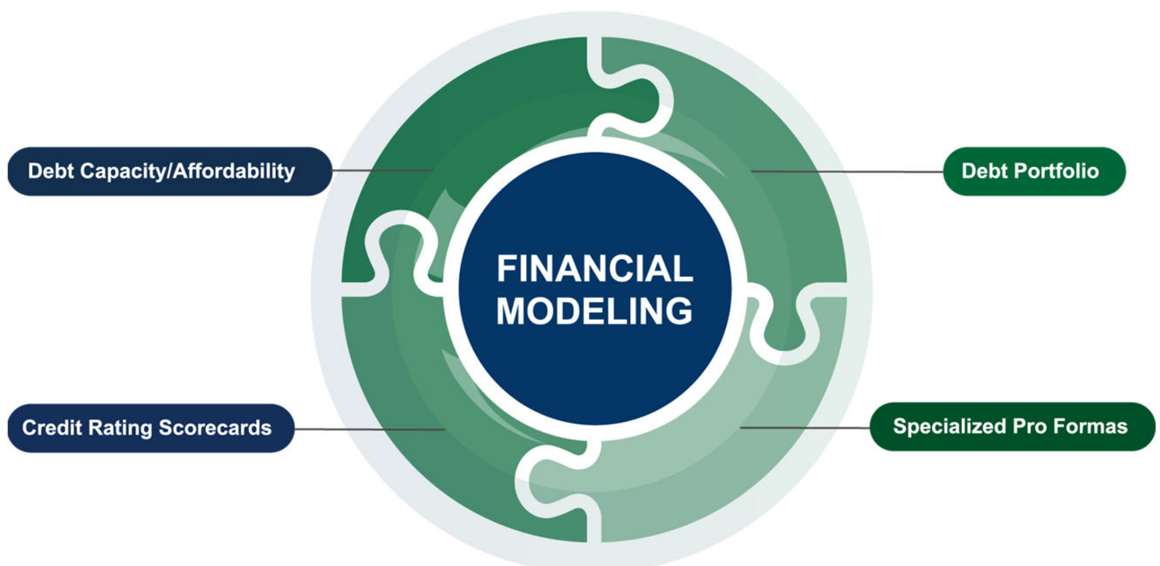
We have in-house technical and analytical expertise, including direct market intelligence.

Fiduciary

We always put our clients' interests first.

Financial Modeling is at the Core of Our Public Finance Practice

Our customized financial models, as well as, industry-standard bond sizing software are the basis for all of our financial advisory engagements. Our models are customized for each engagement and are relied upon by even the most sophisticated clients.



Municipal Advisor Disclosure

The enclosed information relates to an existing or potential municipal advisor engagement.

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein.

This material may not be sold or redistributed without the prior written consent of Davenport. Version 1.1.23 SS | RK | RT