

Patrick County, Virginia

Financial Review



December 17, 2018

Patrick County, Virginia



Background / Davenport Approach

- Davenport & Company LLC ("Davenport") serves as Financial Advisor to towns, cities, counties, authorities, and other local governmental entities across the Commonwealth on Debt and Capital Funding, Investments, and strategic Multi-Year Financial Planning.
- Davenport has historically served as Financial Advisor to Patrick County on new money and refunding transactions involving County and School debt.
- Patrick County requested that Davenport perform a **Financial Review** of its General County financial operations to assist in determining the overarching cause(s) of recent cash-flow pressure.
- Using the County's annual Audited Financial reports and debt documentation provided by the County, as well as meetings and direct discussion with County Staff, Davenport has completed a Financial Review of the County's historical financial results and existing debt profile.
- Davenport also identified an opportunity to restructure and re-align selected outstanding debt in order to ease the cash-flow burden on the General Fund and the County's Tax Payers.

Goals and Objectives

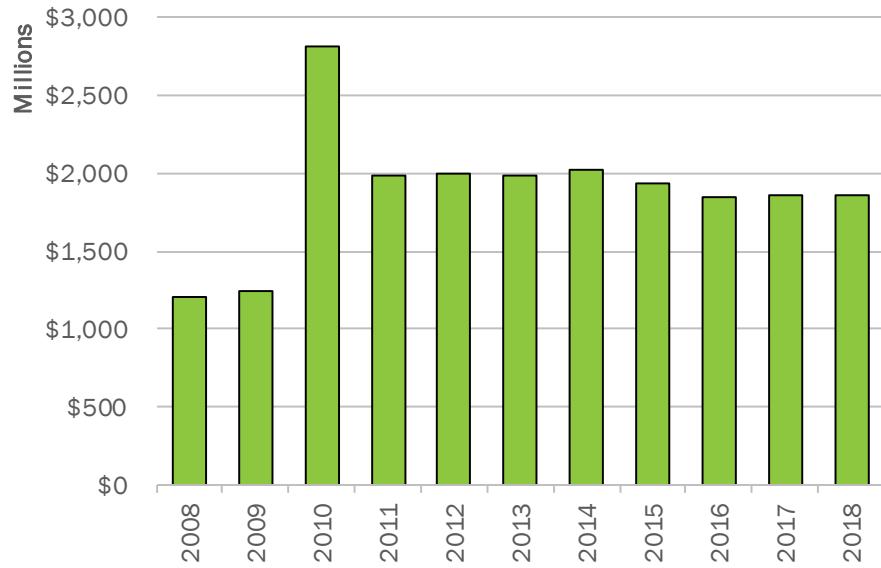


1. Using Audited Financial Information for the County, in addition to cash-flow data provided by County Staff, assess the overarching cause(s) of the County's recent cash-flow pressure.
2. Determine a strategy(s) to enhance and solidify the County's long-term financial stability including:
 - Implementing/updating formal Financial Policies especially related to Fund Balance/Reserve Levels and Structurally Balanced Budgets;
 - Consider a strategic restructuring and re-alignment of existing debt to free near term cash-flow pressure on the General Fund and County tax payers.
3. Provide the Board of Supervisors with Next Steps to enact the identified strategies during the first half of calendar year 2019 for the FY 2020 budget.



Assessed Value Trends

- The County's tax base grew substantially in FY 2010 as a result of reassessment. This growth was equal to approximately 51% versus FY 2009.
- The County also realized a one-time windfall in FY 2010 as a result of moving to twice a year property tax collections. (Note: the impact of both of these events is captured in FY 2010 in the County's audit and in the graph below).
- Since the FY 2010 high, the County's Assessed Value has declined slightly.



Fiscal Year	Personal Property and Mobile			Public Utility Real Estate and Personal Property		% Change
	Real Estate	Homes	Machinery and Tools	Estate and Personal Property	Total Assessed Value	
2008	\$975,752,332	\$157,084,700	\$36,477,566	\$41,899,151	\$1,211,213,749	-
2009	997,044,265	164,010,669	39,389,750	41,780,249	1,242,224,933	2.2%
2010*	2,558,862,025	152,193,677	39,433,886	65,732,477	2,816,222,065	156.6%
2011	1,724,443,955	161,488,870	36,202,239	64,197,225	1,986,332,289	-32.6%
2012	1,732,478,250	161,666,824	33,603,847	67,438,239	1,995,187,160	0.5%
2013	1,739,594,600	163,831,979	34,548,797	52,520,654	1,990,496,030	0.4%
2014	1,747,596,250	164,524,594	35,330,203	73,199,458	2,020,650,505	0.5%
2015	1,655,322,650	166,685,416	34,927,504	75,872,248	1,932,807,818	-5.3%
2016	1,560,070,500	167,955,144	38,455,812	81,109,560	1,847,591,016	-5.8%
2017	1,563,661,350	173,386,314	38,492,368	78,496,926	1,854,036,958	0.2%
2018	1,569,230,400	178,595,077	37,324,141	76,804,155	1,861,953,773	0.4%

5 Year CAGR	-2.66%	2.07%	1.38%	1.21%	-2.02%
10 Year CAGR	5.17%	0.95%	-0.60%	7.00%	4.60%

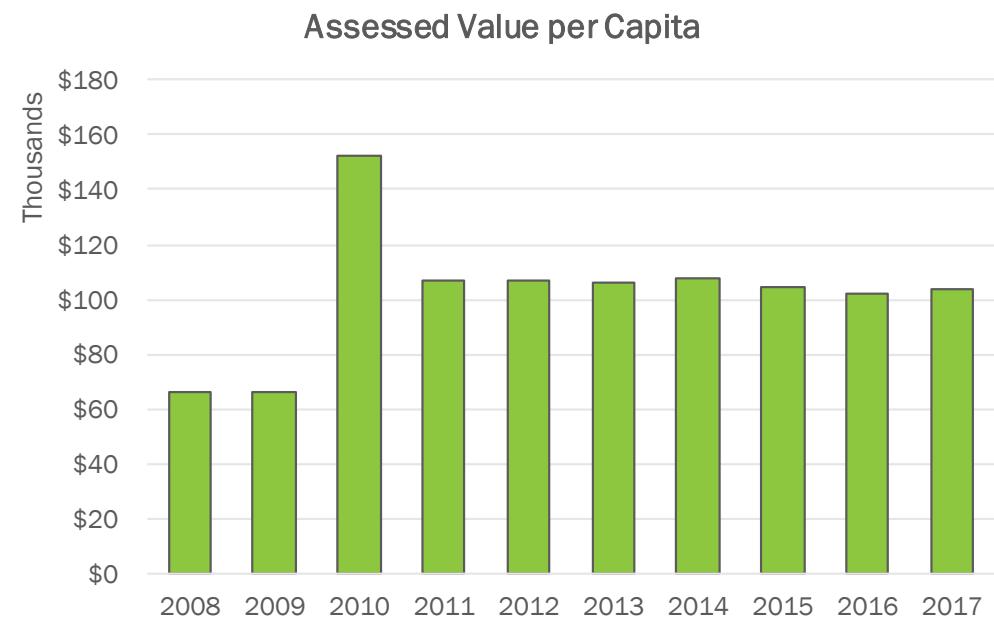
*Note: FY 2010 was the first year that the County implemented twice-a-year collections. FY 2010 AV includes 2009 taxes and the 1st half of 2010 taxes, which were due in June 2010. Adjusting FY 2010 Assessed Value to approximate a typical semi-annual tax collection (i.e. multiplying by 2/3) yields an Adjusted Assessed Value of \$1,877,481,377. When calculating growth assuming the FY 2010 Adjusted Assessed Value, the growth in AV from FY 2009 to FY 2010 is equal to 51.14% and the growth in AV from FY 2010 to FY 2011 is equal to 5.80%.



Assessed Value per Capita

- The County's Assessed Value remains solid and is over \$100,000 per capita.

Fiscal Year	Assessed Value per Capita
2008	\$65,773
2009	66,181
2010	152,533
2011	106,591
2012	106,746
2013	106,233
2014	107,952
2015	104,759
2016	102,422
2017	103,404

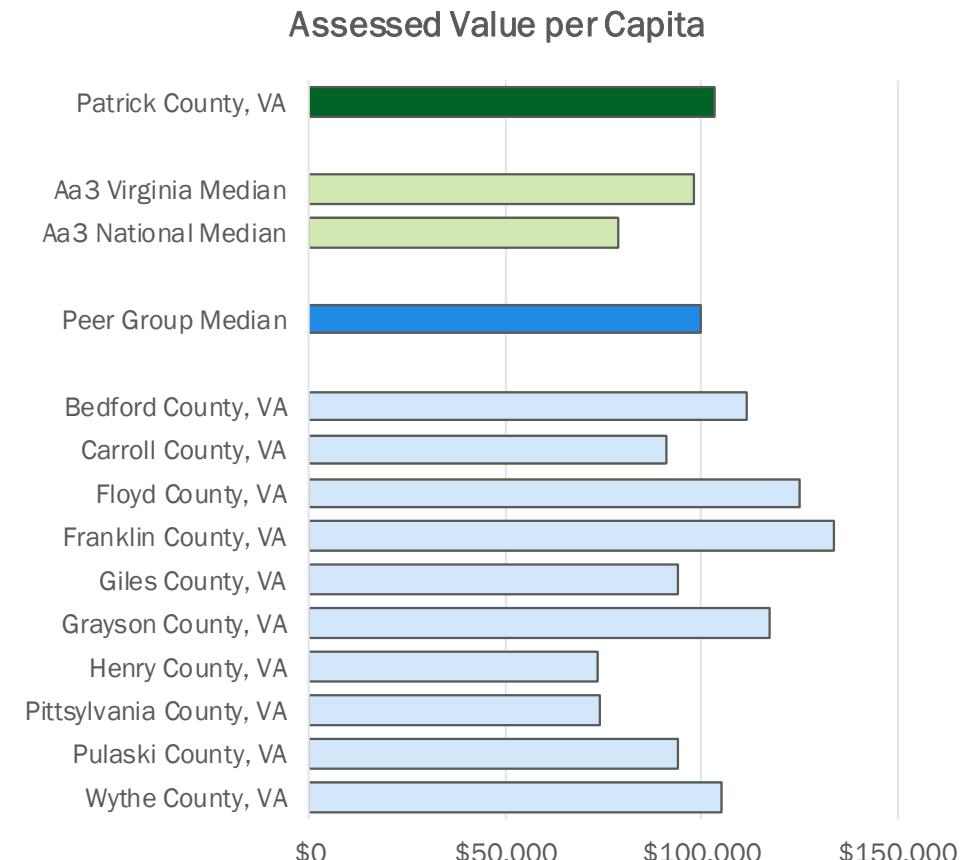




Assessed Value per Capita | Comparative

- The County's Assessed Value per Capita is consistent with similarly-rated peers and the Aa3 Virginia median.

County	AV per Capita
Patrick County, VA	\$103,404
Aa3 Virginia Median	97,862
Aa3 National Median	78,629
Peer Group Median	99,604
Bedford County, VA	111,218
Carroll County, VA	90,909
Floyd County, VA	125,097
Franklin County, VA	133,704
Giles County, VA	94,143
Grayson County, VA	117,117
Henry County, VA	73,677
Pittsylvania County, VA	73,830
Pulaski County, VA	94,086
Wythe County, VA	105,064

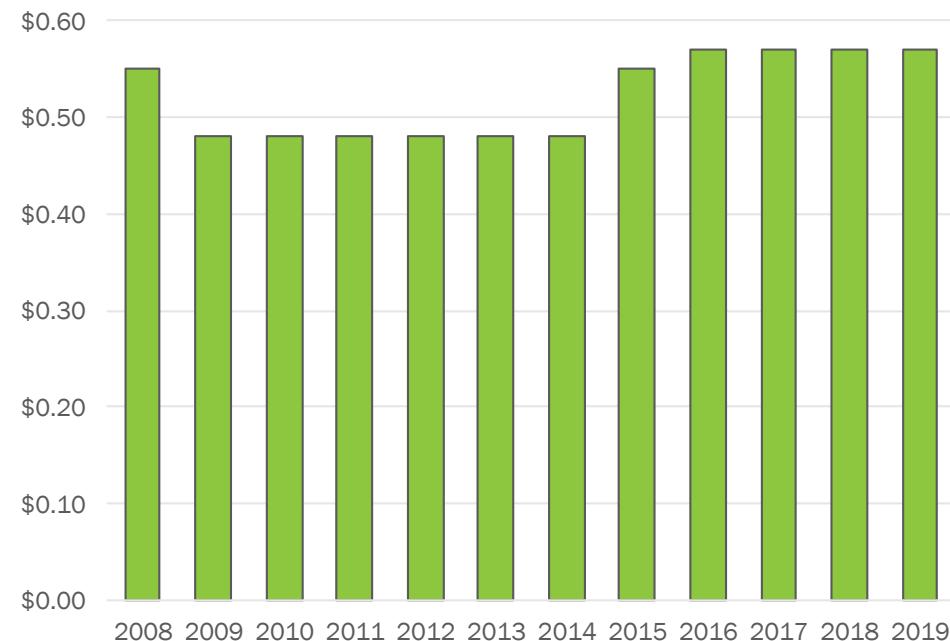




Real Estate Tax

- The County decreased its Real Estate Tax in Tax Year 2009 to coincide with the increase in values that was effective for FY 2010.
- Since that time the County increased its Real Estate Tax Rate in Tax Years 2015 and 2016. It appears that these increases were to help offset the decline in Assessed Value realized in those years.

Tax Year	Estate Tax Rate
2008	\$0.55
2009	0.48
2010	0.48
2011	0.48
2012	0.48
2013	0.48
2014	0.48
2015	0.55
2016	0.57
2017	0.57
2018	0.57
2019	0.57

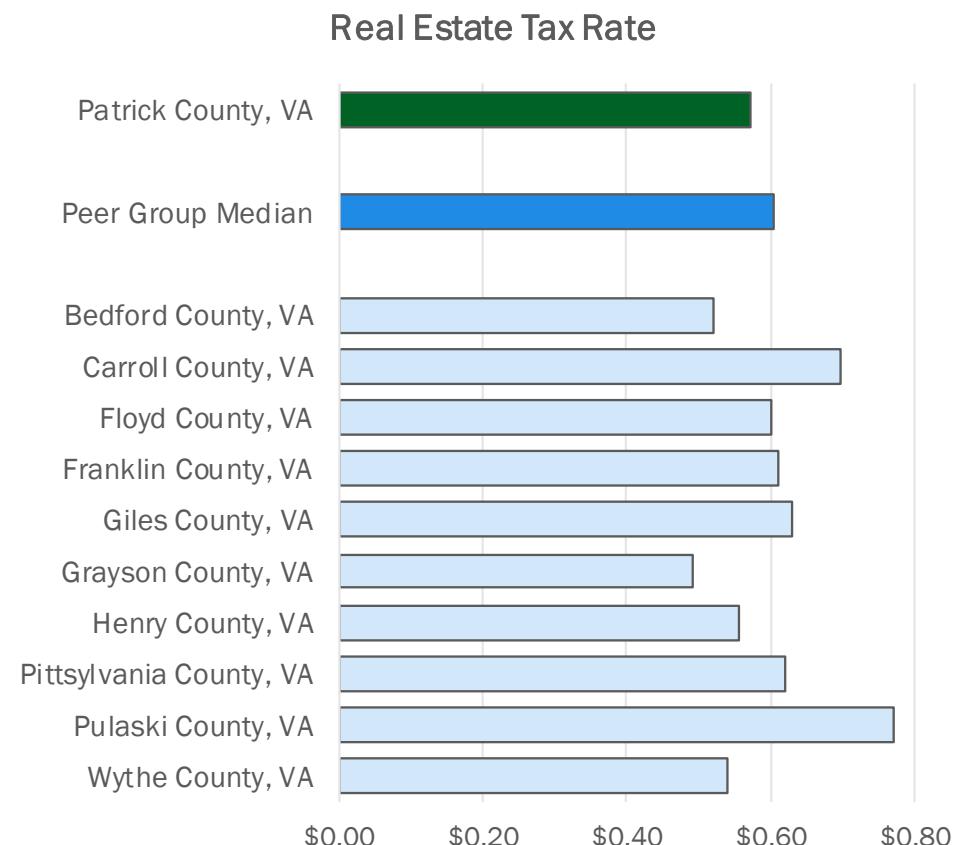




Real Estate Tax | Comparative

- The County's Real Estate Tax Rate is below the peer group median.

County	Real Estate Tax Rate
Patrick County, VA	\$0.57
Peer Group Median	0.61
Bedford County, VA	0.52
Carroll County, VA	0.695
Floyd County, VA	0.60
Franklin County, VA	0.61
Giles County, VA	0.63
Grayson County, VA	0.49
Henry County, VA	0.555
Pittsylvania County, VA	0.62
Pulaski County, VA	0.77
Wythe County, VA	0.54





Historical Trend Analysis | General Fund Revenues

- The County's General Fund Revenues have grown (on average) 3.2% during the past five fiscal years.



	2014	2015	2016	2017	2018	5 Year CAGR
General Property Taxes	\$11,378,490	\$11,501,012	\$11,995,394	\$12,298,113	\$12,358,878	2.1%
Other Local Taxes	2,228,527	2,397,795	2,495,653	2,540,893	2,580,028	3.7%
Permits, Privilege Fees and Regulatory Licenses	81,031	66,183	54,022	64,790	80,507	-0.2%
Fines and Forfeitures	18,892	17,507	24,692	27,388	20,530	2.1%
Revenue from Use of Money and Property	28,118	21,202	27,727	43,233	44,076	11.9%
Charges for Services	640,550	348,042	318,352	330,253	414,901	-10.3%
Miscellaneous	84,537	150,626	59,879	87,220	92,938	2.4%
Recovered Costs	366,351	781,215	756,305	873,238	964,697	27.4%
Intergovernmental Revenues	<u>5,312,699</u>	<u>5,378,074</u>	<u>5,829,938</u>	<u>6,344,103</u>	<u>6,300,190</u>	<u>4.4%</u>
Total	\$20,139,195	\$20,661,656	\$21,561,962	\$22,609,231	\$22,856,745	3.2%
Annual Growth	-3.3%	2.6%	4.4%	4.9%	1.1%	



Historical Trend Analysis | General Fund Expenditures

- The County's General Fund Expenditures have grown (on average) 4.4% during the past five fiscal years.
- General Government Administration expenses have declined during the past 5 years.
- Debt service declined partially as a result of refinancing for savings.
- All other expenditure categories increased during the past 5 years.



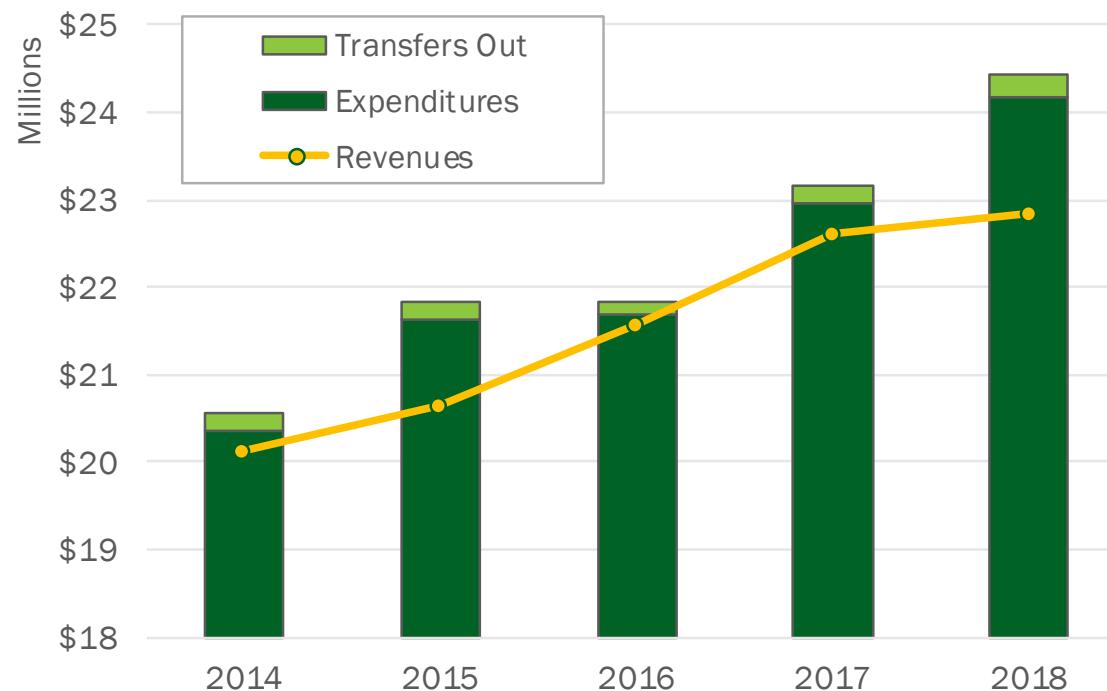
	2014	2015	2016	2017	2018	5 Year CAGR
General Government Administration	\$1,596,476	\$1,480,422	\$1,359,604	\$1,441,604	\$1,448,770	-2.4%
Judicial Administration	724,378	815,155	836,644	882,011	1,049,636	9.7%
Public Safety	6,016,498	6,163,896	5,866,635	6,628,684	7,740,086	6.5%
Public Works	1,391,541	1,403,761	1,407,136	1,518,445	1,623,260	3.9%
Health and Welfare	1,695,066	1,844,185	2,088,069	2,392,126	2,631,239	11.6%
Education	4,660,379	4,718,631	4,851,974	5,292,042	5,669,531	5.0%
Parks, Recreation and Cultural	482,503	547,008	551,805	550,873	579,790	4.7%
Community Development	630,345	1,018,031	697,115	878,387	1,028,313	13.0%
Capital Projects	132,740	245,054	1,443,605	800,553	194,234	10.0%
Debt Service	3,015,908	3,396,738	2,572,960	2,575,599	2,202,987	-7.6%
Transfers Out	<u>224,313</u>	<u>206,898</u>	<u>169,049</u>	<u>194,349</u>	<u>250,402</u>	<u>2.8%</u>
Total	\$20,570,147	\$21,839,779	\$21,844,596	\$23,154,673	\$24,418,248	4.4%
Annual Growth	-3.6%	6.2%	0.0%	6.0%	5.5%	

Source: County 2014 - 2018 CAFRs.



Annual General Fund Operating Results

- The County's General Fund has produced an operating deficit each of the past 5 fiscal years (i.e., FY 2014 - 2018).



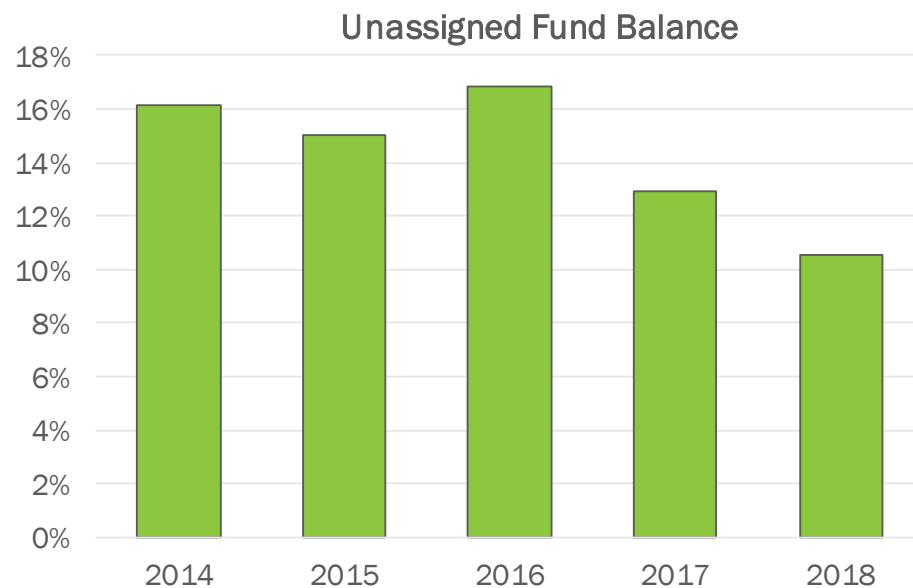
	2014	2015	2016	2017	2018	5 Year CAGR
General Fund Revenues	\$20,139,195	\$20,661,656	\$21,561,962	\$22,609,231	\$22,856,745	3.22%
General Fund Expenditures	(20,345,834)	(21,632,881)	(21,675,547)	(22,960,324)	(24,167,846)	4.40%
Transfers out of the General Fund	(224,313)	(206,898)	(169,049)	(194,349)	(250,402)	2.79%
Operating Result	(\$430,952)	(\$1,178,123)	(\$282,634)	(\$545,442)	(\$1,561,503)	

Note: Data above purposefully excludes non-recurring debt and insurance related activity.



Unassigned Fund Balance

- Unassigned Fund Balance is arguably the most important financial metric when assessing a local government's financial strength and resiliency.
- The County's Unassigned Fund Balance as a percent of Operating Revenues (which includes the General Fund and School Fund) has declined from approximately 16.2% in FY 2014 to 10.6% in FY 2018.



Fiscal Year	Unassigned Fund Balance	Operating Revenues	Available Fund Balance as a % of Revenues
2014	\$6,971,591	\$43,148,774	16.2%
2015	6,468,359	43,100,659	15.0%
2016	7,357,511	43,681,826	16.8%
2017	5,849,512	45,286,307	12.9%
2018	4,773,146	45,106,892	10.6%

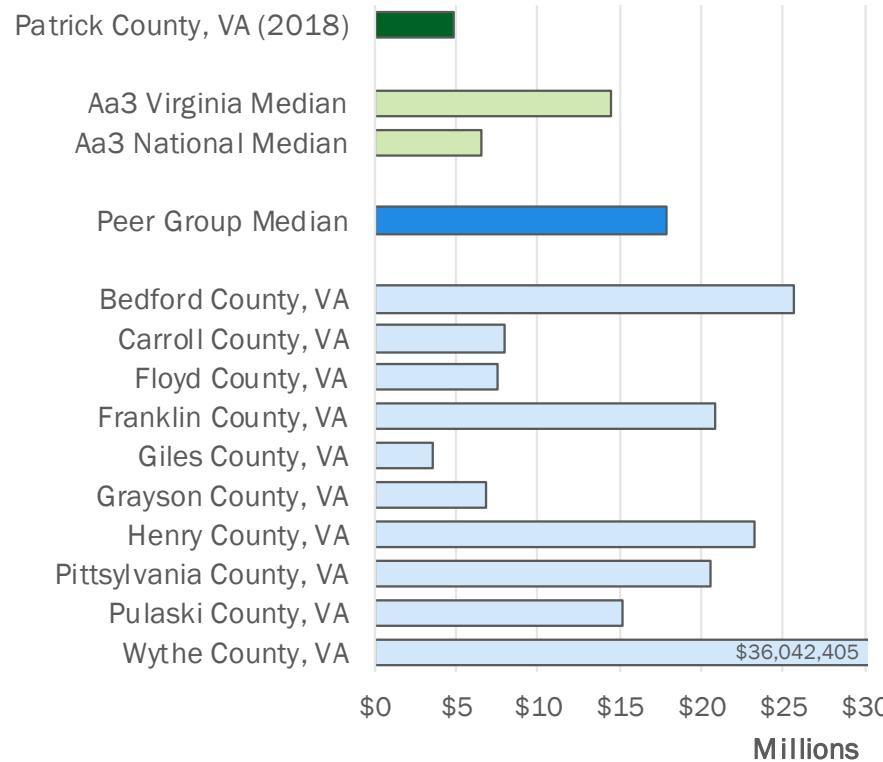
Note: Operating Revenues include General Fund and the School Fund.



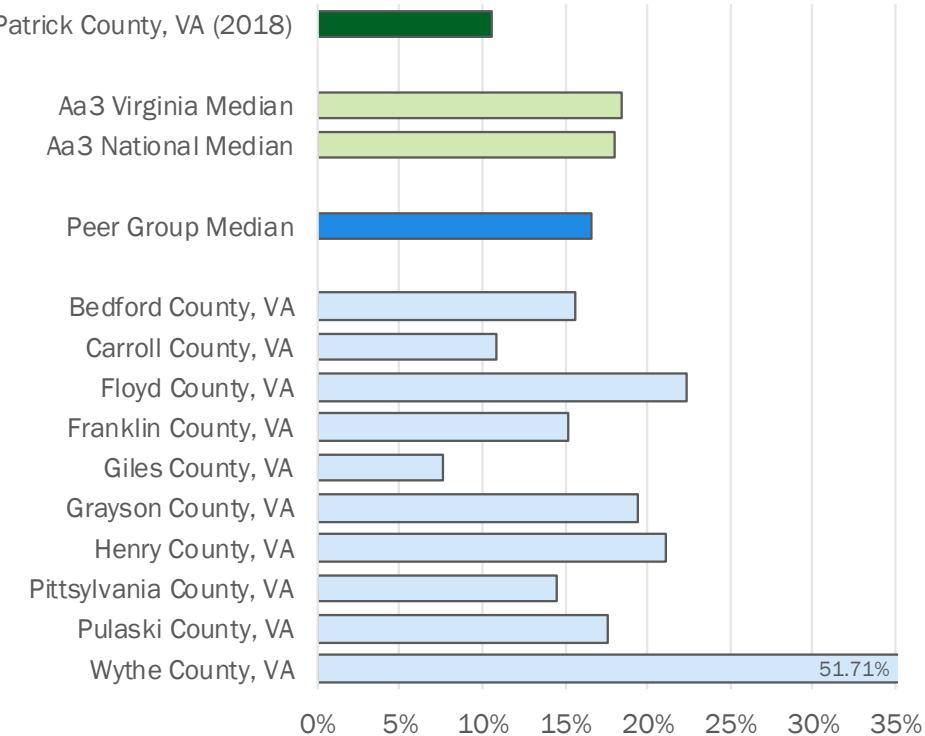
Unassigned Fund Balance | Comparative

- The County's Unassigned Fund Balance and Unassigned Fund Balance as a % of Revenue is below the peer group.

Unassigned Fund Balance



Unassigned Fund Balance as a % of Operating Revenues



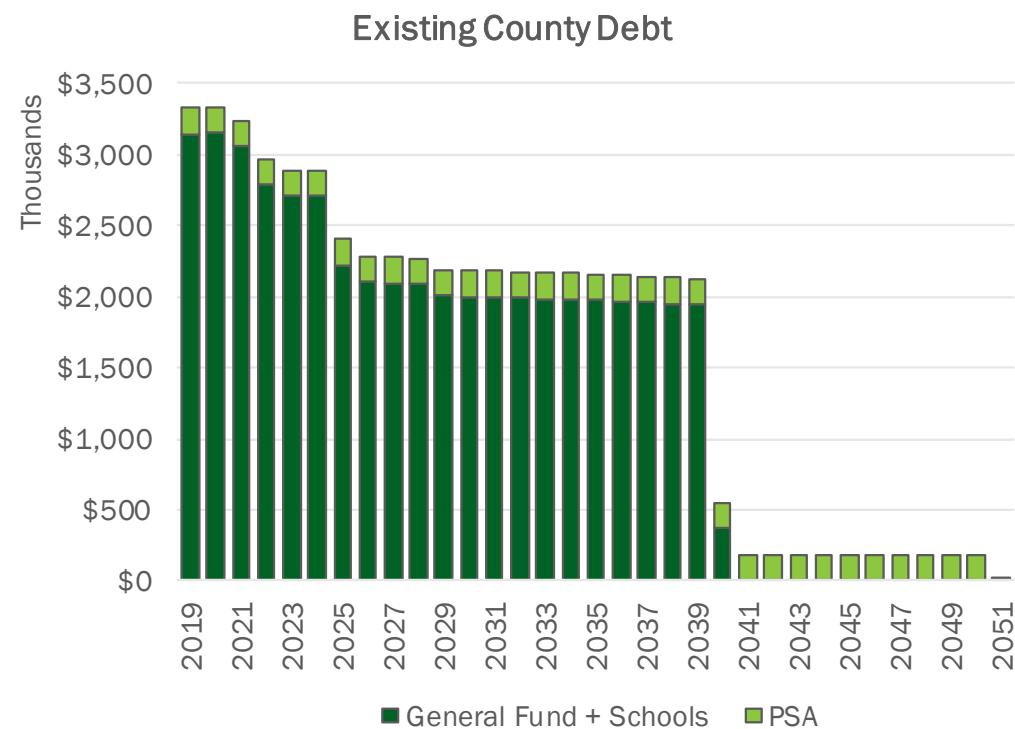


Existing County Debt Service

- The charts on this page depict the County's outstanding County debt service.
- All of this debt is fixed rate and paid annually in fixed installments.

Total County Debt Service			
FY	General Fund + Schools	PSA	Total
2019	\$3,143,453	\$181,548	\$3,325,001
2020	3,148,187	181,548	3,329,735
2021	3,060,872	181,548	3,242,420
2022	2,789,747	181,548	2,971,295
2023	2,710,989	181,548	2,892,537
2024	2,707,924	181,548	2,889,472
2025	2,220,059	181,548	2,401,607
2026	2,099,436	181,548	2,280,984
2027	2,093,293	181,548	2,274,841
2028	2,084,644	181,548	2,266,192
2029	2,003,654	181,548	2,185,202
2030	2,002,144	181,548	2,183,692
2031	1,998,490	181,548	2,180,038
2032	1,992,125	181,548	2,173,673
2033	1,983,348	181,548	2,164,896
2034	1,981,955	181,548	2,163,503
2035	1,972,846	181,548	2,154,394
2036	1,966,021	181,548	2,147,569
2037	1,961,233	181,548	2,142,781
2038	1,953,373	181,548	2,134,921
2039	1,947,340	181,548	2,128,888
2040	365,497	181,548	547,045
2041	0	181,548	181,548
2042	0	181,548	181,548
2043	0	181,548	181,548
2044	0	181,548	181,548
2045	0	181,548	181,548
2046	0	181,548	181,548
2047	0	181,548	181,548
2048	0	181,548	181,548
2049	0	181,548	181,548
2050	0	181,548	181,548
2051	0	25,576	25,576
Total		\$48,186,629	\$5,835,112
			\$54,021,741

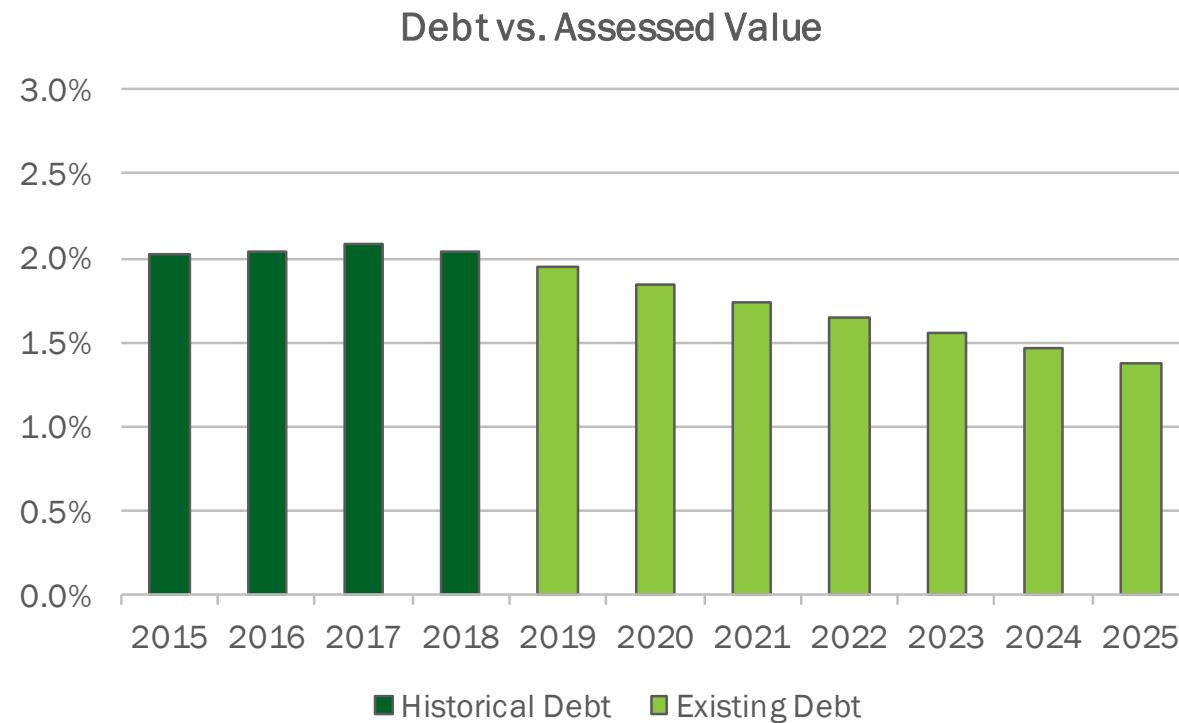
Principal Outstanding	
General Fund + Schools	\$32,694,858
PSA	<u>3,281,032</u>
Total	\$35,975,890





Debt vs. Assessed Value

- The County's Debt vs. Assessed Value is roughly 2%.



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

Very Strong: <0.75% Strong: 0.75% - 1.75% Moderate: 1.75% - 4.00% Weak – Very Poor: >4%

Note: Assessed Value assumed to remain constant from 2017 and beyond.

DAVENPORT & COMPANY ⁽¹⁾S&P Investors Service.

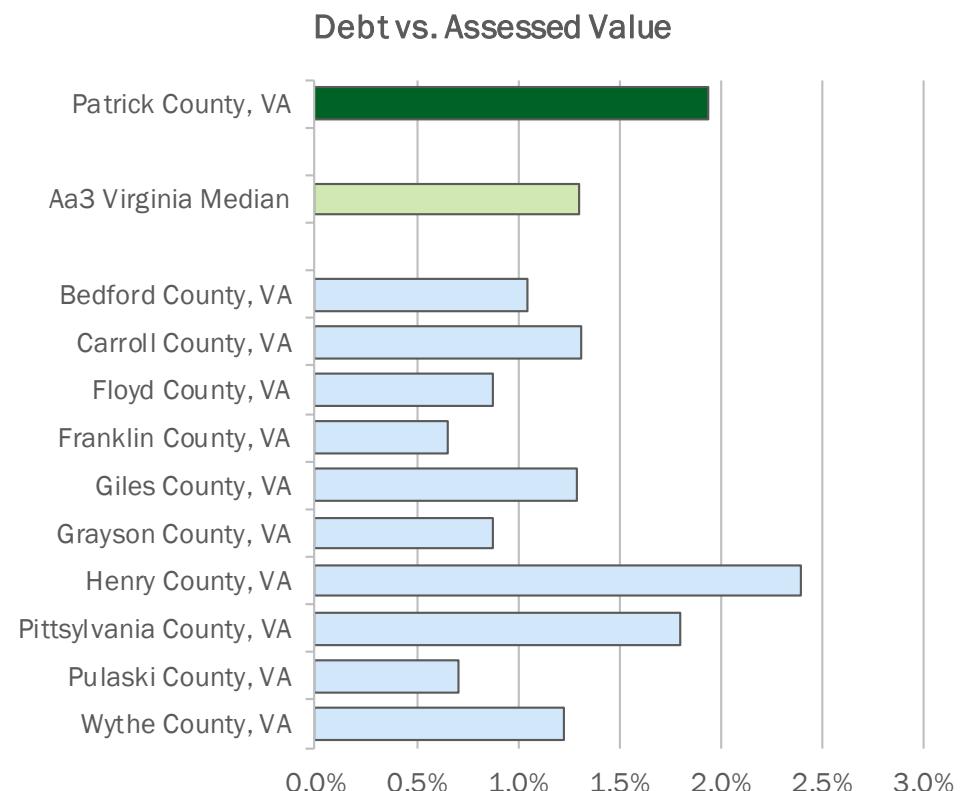
Source: County 2014 - 2018 CAFRs.



Debt vs. Assessed Value | Comparative

- The County's Debt vs. Assessed Value is above the State median and the peer group, but still in a range considered "moderate" by S&P.

Municipality	Debt vs. Assessed Value
Patrick County, VA*	1.94%
Aa3 Virginia Median	1.30%
Bedford County, VA	1.05%
Carroll County, VA	1.32%
Floyd County, VA*	0.87%
Franklin County, VA	0.65%
Giles County, VA	1.29%
Grayson County, VA	0.87%
Henry County, VA*	2.40%
Pittsylvania County, VA	1.80%
Pulaski County, VA	0.70%
Wythe County, VA	1.23%

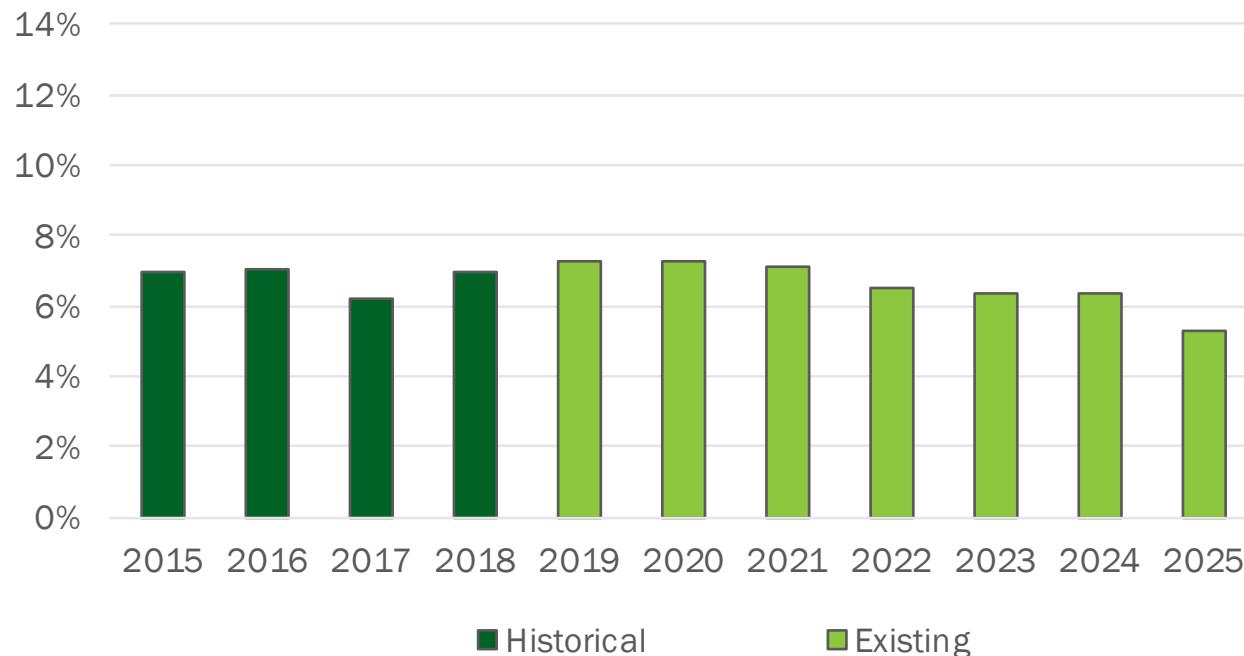




Debt Service vs. Expenditures

- The County's Debt Service vs. Expenditures is better than the level that is considered "very strong" by S&P (i.e., 10% - 15%).

Debt Service vs. Expenditures



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

Very Strong: <8%	Strong: 8% - 15%	Adequate: 15% - 25%	Weak: 25% - 35%	Very Weak: >35%
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Note: Expenditures assumed to remain constant from 2017 and beyond.

DAVENPORT & COMPANY (1) U.S. Local Governments General Obligation Ratings Methodology.

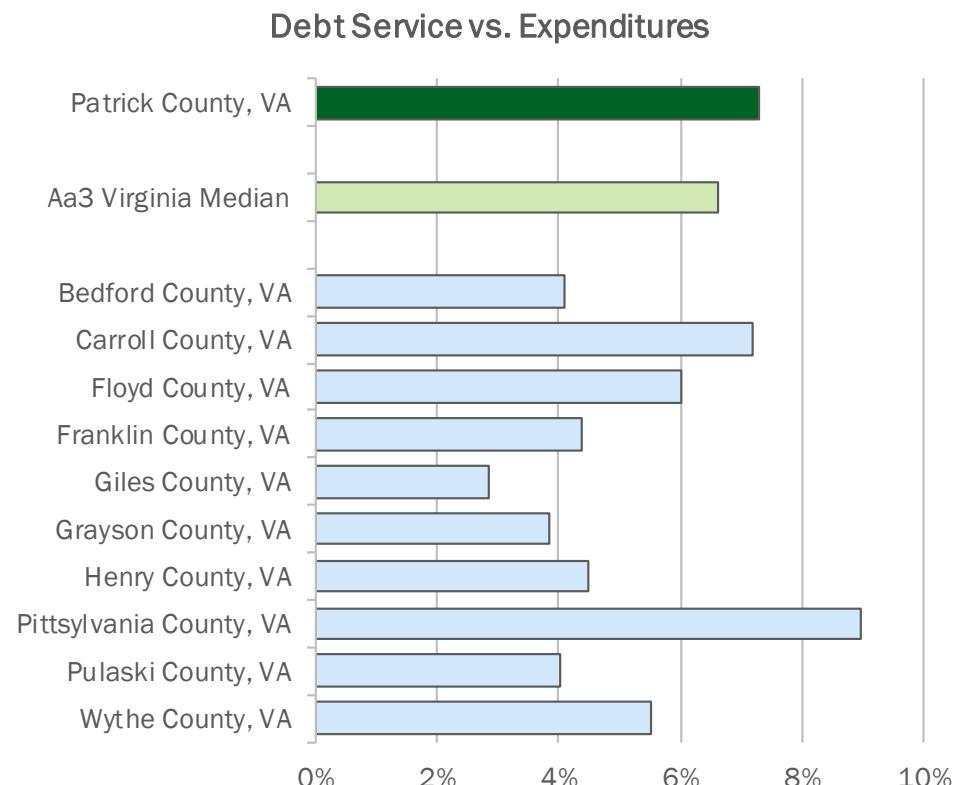
Source: County 2014 - 2018 CAFRs.



Debt Service vs. Expenditures | Comparative

- The County's Debt Service vs. Expenditures is above the peer group and approximately the Aa3 Virginia median, but is at a level considered "very strong" by S&P.

Municipality	Debt Service vs. Expenditures
Patrick County, VA*	7.28%
Aa3 Virginia Median	6.60%
Bedford County, VA	4.10%
Carroll County, VA	7.17%
Floyd County, VA*	6.00%
Franklin County, VA	4.38%
Giles County, VA	2.87%
Grayson County, VA	3.83%
Henry County, VA*	4.50%
Pittsylvania County, VA	8.96%
Pulaski County, VA	4.02%
Wythe County, VA	5.51%





Debt Restructuring & Re-alignment Opportunity

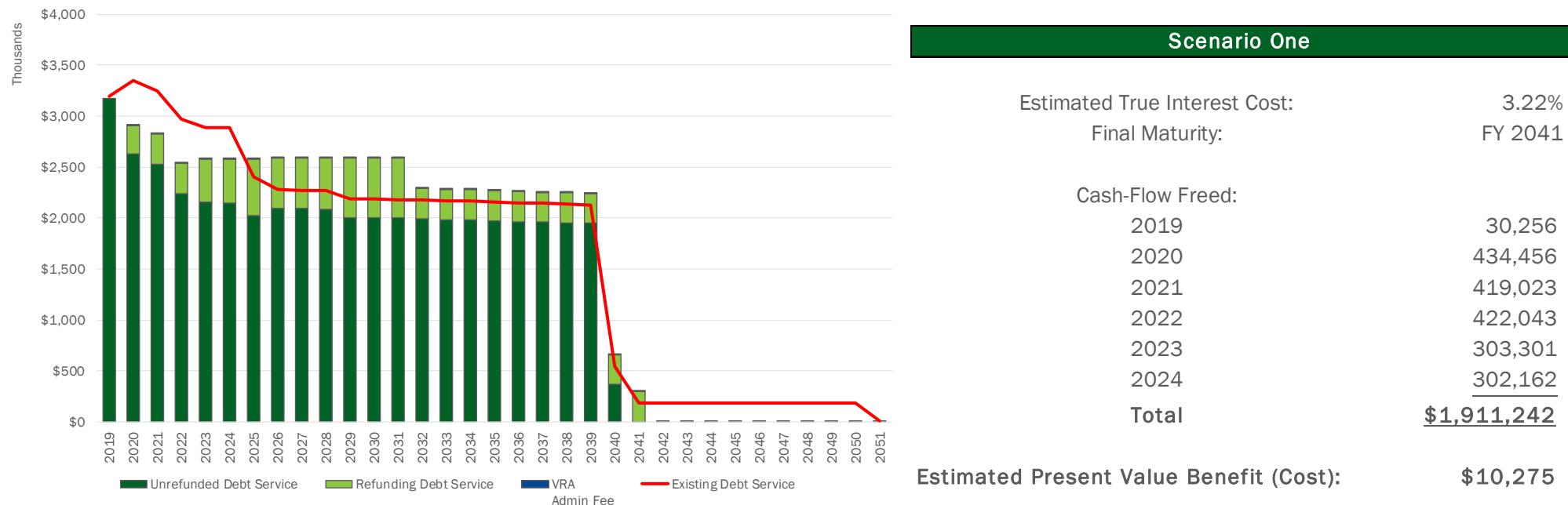
- Davenport identified an opportunity to strategically restructure and re-align selected portions of the County's existing outstanding debt with the goal of easing cash-flow pressure on the General Fund and the County's tax payers.
- A summary of the debt to be considered for restructuring/re-alignment is as follows:
 - 2014 Capital Lease
 - 2009 VRA Loan
 - 2010 USDA PSA Loans
 - Average Interest Rate on the Debt to be Refunded = 3.96%
 - Approximate Amount to be Refunded = \$5.9 million
 - Existing Final Maturity:
 - 2014 Capital Lease = FY 2024
 - 2009 VRA Loan = FY 2040
 - 2010 USDA Loans = FY 2051
- The Patrick County PSA appears to receive a substantial annual subsidy from the General Fund. Thus, freeing cash flow related to the PSA debt will help the General Fund's cash flow.

Preliminary Results Assuming VRA – Scenario 1

Estimated Current Market



- Based on estimated current market interest rates for a VRA sale, the restructuring/re-alignment could:
 - Free approximately \$1.9 million in cash flow per the FY 2019-2024 time period.
 - Shorten the final maturity of the existing USDA Loans.
 - Flatten the County's overall debt service, thus avoiding any future "spikes" in debt service.



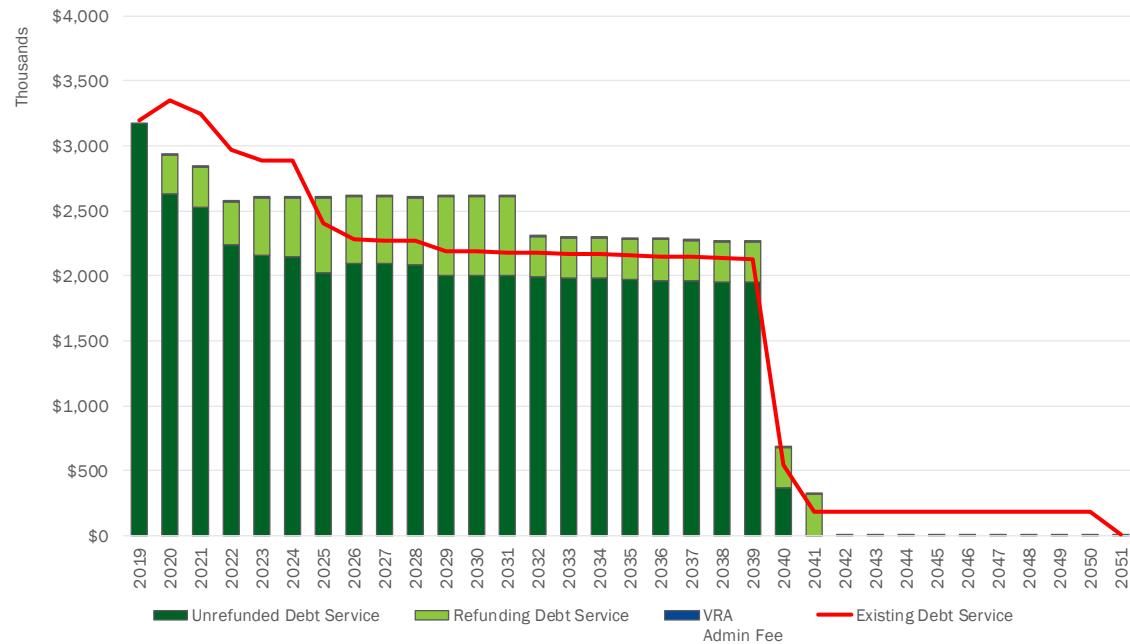
Note: Results are preliminary and subject to change. Actual results could vary substantially from these estimates. Assumes estimated current market interest rates as of the week of December 3, 2018.



Preliminary Results Assuming VRA – Scenario 2

Estimated Current Market plus 60 Basis Points

- For purposes of illustration, if interest rates were to increase by approximately one half of 1%, the restructuring/re-alignment would still produce considerable cash-flow and avoid any future “spikes” in debt service



Scenario Two	
Estimated True Interest Cost:	3.71%
Final Maturity:	FY 2041
Cash-Flow Freed:	
2019	30,256
2020	422,667
2021	406,467
2022	399,743
2023	281,514
2024	280,887
Total	\$1,821,534
Estimated Present Value Benefit (Cost):	(\$257,339)

Note: Results are preliminary and subject to change. Actual results could vary substantially from these estimates. Assumes estimated current market interest rates as of the week of December 3, 2018 plus 60 basis points.



Equivalent Real Estate Penny Impact

- The 2018 operating deficit in the General Fund was roughly \$1.3 million.
- Each penny on the real estate tax rate equates to approximately \$157,000.
- To offset the \$1.3 million deficit in 2018 would require the equivalent of 8.5 pennies.
- Implementing the restructuring/re-alignment could reduce the equivalent tax impact from 8.5 pennies to approximately 5.5 pennies.



Next Steps

1. Davenport and County Staff to develop and adopt formalized Financial Policy Guidelines with specific focus on:
 - Fund Balance/Reserve Levels;
 - Structurally Balanced Budgets;
 - Debt Related Policies.
2. Board of Supervisors to adopt formalized Financial Policy Guidelines during early calendar year 2019.
3. Consider a Dual Track approach to enacting the Refunding/Debt Re-alignment during the first half of calendar year 2019.
 - Applications to the Spring 2019 VRA Pool Financing Program are due on/about February 1 (Note: applying to the VRA program does not cost the County nor does it bind it to any particular action).
 - A competitively bid direct bank loan can be completed in a roughly 90 day time period, if not sooner.
4. Consider a targeted tax rate(s) increase equal to roughly \$1.3-1.5 million of recurring annual revenue.



Appendix

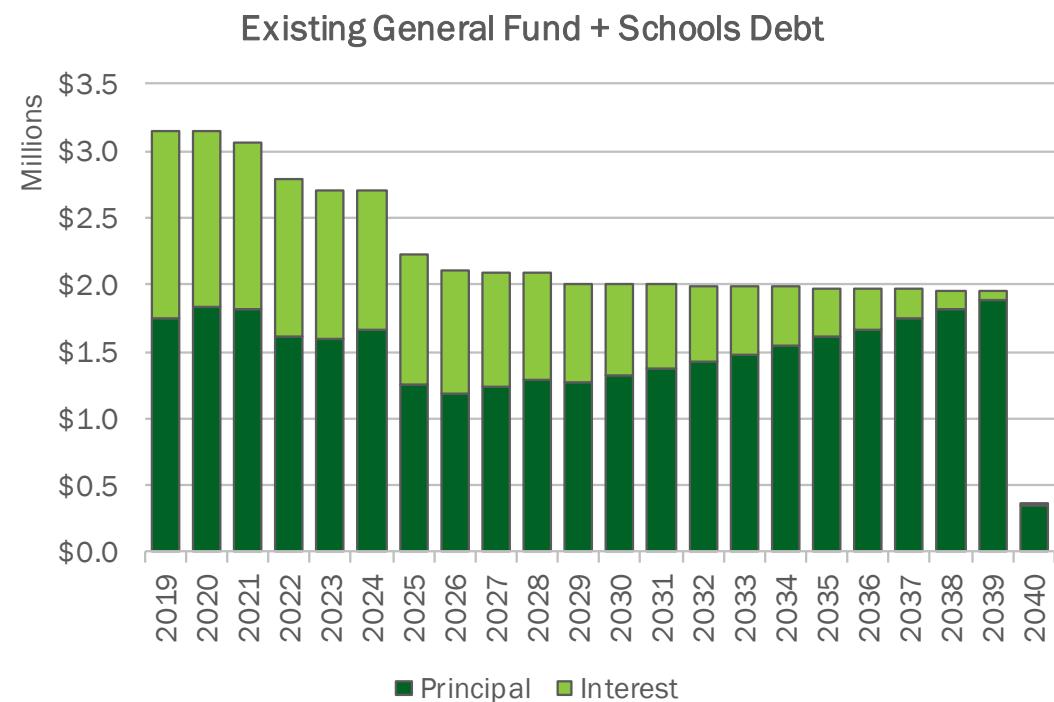
Patrick County, Virginia



Existing General Fund + Schools Debt Service

- The charts on this page depict the County's outstanding General Fund + School debt service.
- All of this debt is fixed rate and paid annually in fixed installments.

General Fund + School			
FY	Principal	Interest	Total
2019	1,752,809	1,390,644	3,143,453
2020	1,825,174	1,323,013	3,148,187
2021	1,807,983	1,252,890	3,060,872
2022	1,608,640	1,181,107	2,789,747
2023	1,600,191	1,110,798	2,710,989
2024	1,667,066	1,040,858	2,707,924
2025	1,247,996	972,063	2,220,059
2026	1,190,000	909,436	2,099,436
2027	1,240,000	853,293	2,093,293
2028	1,285,000	799,644	2,084,644
2029	1,265,000	738,654	2,003,654
2030	1,320,000	682,144	2,002,144
2031	1,370,000	628,490	1,998,490
2032	1,425,000	567,125	1,992,125
2033	1,480,000	503,348	1,983,348
2034	1,545,000	436,955	1,981,955
2035	1,605,000	367,846	1,972,846
2036	1,670,000	296,021	1,966,021
2037	1,740,000	221,233	1,961,233
2038	1,810,000	143,373	1,953,373
2039	1,885,000	62,340	1,947,340
2040	355,000	10,497	365,497
Total	\$32,694,858	\$15,491,771	\$48,186,629

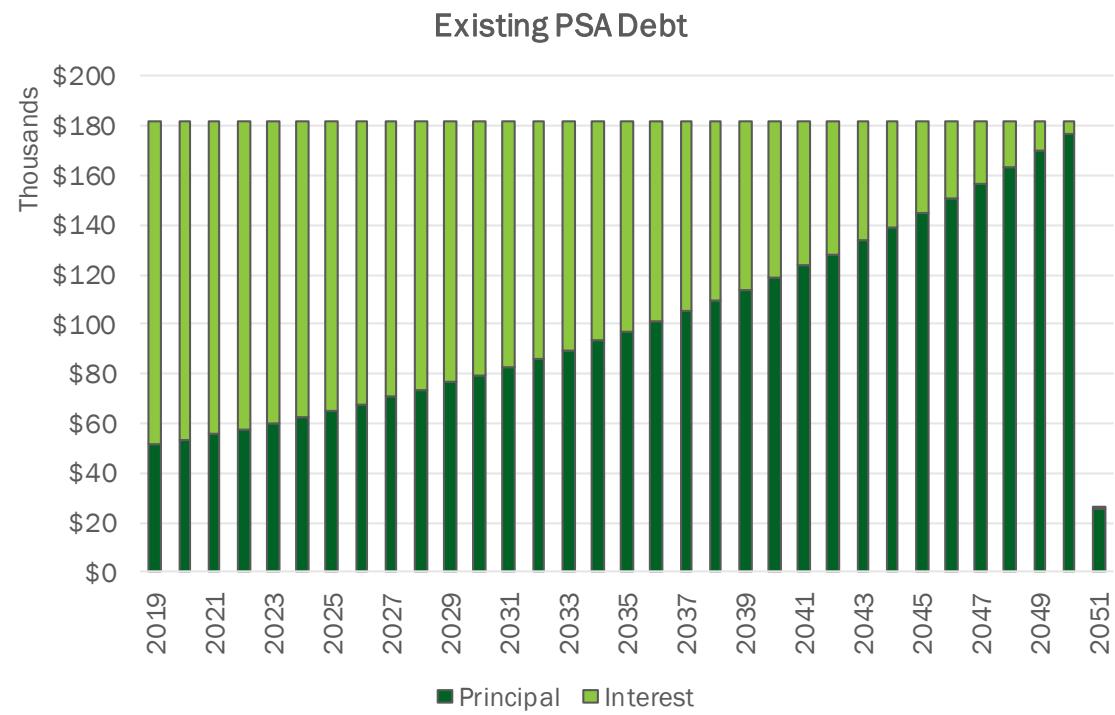




Existing PSA Debt Service

- The charts on this page depict the County's outstanding PSA debt service.
- All of this debt is fixed rate and paid annually in fixed installments.

Public Service Authority			
FY	Principal	Interest	Total
2019	\$51,234	\$130,314	\$181,548
2020	53,083	128,465	181,548
2021	55,721	125,827	181,548
2022	57,754	123,794	181,548
2023	60,107	121,441	181,548
2024	62,335	119,213	181,548
2025	65,315	116,233	181,548
2026	67,756	113,792	181,548
2027	70,517	111,031	181,548
2028	73,190	108,358	181,548
2029	76,570	104,978	181,548
2030	79,491	102,057	181,548
2031	82,730	98,818	181,548
2032	85,924	95,624	181,548
2033	89,775	91,773	181,548
2034	93,258	88,290	181,548
2035	97,058	84,490	181,548
2036	100,864	80,684	181,548
2037	105,267	76,281	181,548
2038	109,410	72,138	181,548
2039	113,868	67,680	181,548
2040	118,391	63,157	181,548
2041	123,441	58,107	181,548
2042	128,360	53,188	181,548
2043	133,589	47,959	181,548
2044	138,954	42,594	181,548
2045	144,764	36,784	181,548
2046	150,591	30,957	181,548
2047	156,726	24,822	181,548
2048	163,079	18,469	181,548
2049	169,780	11,768	181,548
2050	176,673	4,875	181,548
2051	25,457	119	25,576
Total		\$3,281,032	\$2,554,080
			\$5,835,112





Overview of Outstanding Debt

- In total, the County has \$35,975,890 in outstanding County debt as of June 30, 2018.

General Fund + Schools

Series/Project	Original Issue Date	Original Par	Interest Rate	Final Maturity (FY)	Amount Outstanding 6/30/2017	Amount Due Within 1 Year	Amount Outstanding 6/30/2018
VPSA Series 2002B	11/7/2002	\$469,054	4.6 - 5.1%	2022	\$138,305	\$26,160	\$112,145
VPSA Series 2004B	10/15/2004	1,630,018	4.1 - 5.1%	2024	667,136	88,555	578,581
VPSA Series 2005D	11/10/2005	1,787,287	4.6 - 5.1%	2025	823,740	93,363	730,377
Literary Loan, Series 2000	4/24/2000	1,500,000	2.000%	2020	225,000	75,000	150,000
Literary Loan, Series 2002	3/5/2002	900,000	3.000%	2022	225,000	45,000	180,000
Literary Loan, Series 2009	7/15/2008	1,425,000	2.000%	2028	825,000	75,000	750,000
VPSA G.O. Refunding School	5/14/2015	22,480,000	4.05 - 5.05%	2040	22,480,000	390,000	22,090,000
VRA Series 2009B	11/9/2009	6,295,000	4.6 - 5.1%	2040	5,500,000	155,000	5,345,000
Capital Lease - 2012	11/9/2012	139,500	3.200%	2024	94,264	12,228	82,037
Capital Lease - 2014	6/18/2014	2,668,000	2.410%	2024	2,173,000	269,000	1,904,000
Capital Lease - 2015	12/15/2015	277,378	2.410%	2018	90,860	90,860	0
Capital Lease - 2016	6/16/2016	914,739	2.450%	2021	735,896	174,570	561,326
Capital Lease - 2017	8/12/2864	352,320	0.000%	2022	281,856	70,464	211,392
	Sub-Total	\$40,838,296			\$34,260,057		\$32,694,858

Public Service Authority

Series/Project	Original Issue Date	Original Par	Interest Rate	Final Maturity (FY)	Amount Outstanding 6/30/2017	Amount Due Within 1 Year	Amount Outstanding 6/30/2018
2010-1 USDA RD Loan	8/25/2010	\$2,100,000	4.000%	2051	\$1,356,365	\$20,095	\$1,336,270
2010-2 USDA RD Loan	8/25/2010	1,443,000	4.000%	2051	1,973,996	29,234	1,944,762
	Sub-Total	\$3,543,000			\$3,330,361		\$3,281,032

Grand Total	\$44,381,296	\$37,590,418	\$35,975,890
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2018 RAN

Series	Original Issue Date	Original Par	Interest Rate	Final Maturity (FY)	Amount Outstanding 6/30/2017	Amount Due Within 1 Year	Amount Outstanding 6/30/2018
2018 RAN	10/22/2018	\$3,500,000	2.190%	2019	-	-	\$3,500,000
	Sub-Total	\$3,500,000			\$0		\$3,500,000



Historical General Fund Financials

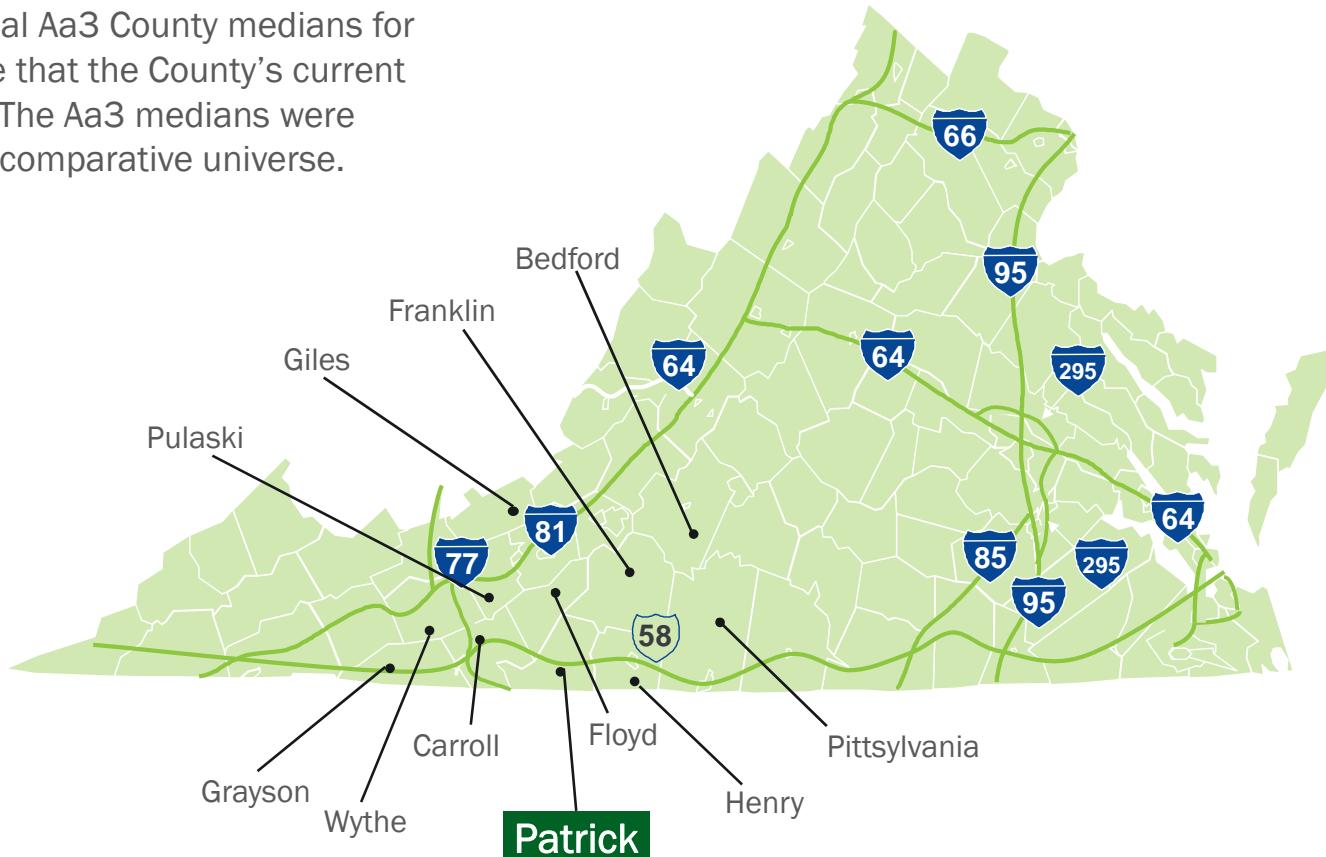
	2014	2015	2016	2017	2018
Revenues					
General Property Taxes	\$11,378,490	\$11,501,012	\$11,995,394	\$12,298,113	\$12,358,878
Other Local Taxes	2,228,527	2,397,795	2,495,653	2,540,893	2,580,028
Permits, Privilege Fees and Regulatory Licenses	81,031	66,183	54,022	64,790	80,507
Fines and Forfeitures	18,892	17,507	24,692	27,388	20,530
Revenue from Use of Money and Property	28,118	21,202	27,727	43,233	44,076
Charges for Services	640,550	348,042	318,352	330,253	414,901
Miscellaneous	84,537	150,626	59,879	87,220	92,938
Recovered Costs	366,351	781,215	756,305	873,238	964,697
Intergovernmental Revenues	5,312,699	5,378,074	5,829,938	6,344,103	6,300,190
Total Revenues	\$20,139,195	\$20,661,656	\$21,561,962	\$22,609,231	\$22,856,745
Expenditures					
General Government Administration	\$1,596,476	\$1,480,422	\$1,359,604	\$1,441,604	\$1,448,770
Judicial Administration	724,378	815,155	836,644	882,011	1,049,636
Public Safety	6,016,498	6,163,896	5,866,635	6,628,684	7,740,086
Public Works	1,391,541	1,403,761	1,407,136	1,518,445	1,623,260
Health and Welfare	1,695,066	1,844,185	2,088,069	2,392,126	2,631,239
Education	4,660,379	4,718,631	4,851,974	5,292,042	5,669,531
Parks, Recreation and Cultural	482,503	547,008	551,805	550,873	579,790
Community Development	630,345	1,018,031	697,115	878,387	1,028,313
Capital Projects	132,740	245,054	1,443,605	800,553	194,234
Debt Service					
Principal Retirement	1,290,577	1,265,923	885,171	1,105,697	1,295,107
Interest and Other Fiscal Charges	1,725,331	1,719,316	1,687,789	1,469,902	907,880
Bond Issuance Costs	0	411,499	0	0	0
Total Expenditures	\$20,345,834	\$21,632,881	\$21,675,547	\$22,960,324	\$24,167,846
Other Financing Sources					
Transfers In	\$0	\$0	\$0	\$0	\$0
Transfers Out	(224,313)	(206,898)	(169,049)	(194,349)	(250,402)
Insurance Recoveries	50,000	0	0	0	0
Issuance of Refunding Bonds	0	22,480,000	1,188,117	0	0
Proceeds from Capital Leases	0	0	0	0	352,320
Premium on Advanced Refunding	0	2,512,317	0	0	0
Payment to Refunded Bond Escrow Agent	0	(24,627,351)	0	0	0
Refunding Lease Purchase Issuance	0	2,668,000	0	0	0
Debt Service - Principal Retirement	0	(2,556,611)	0	0	0
Total Other Financing Sources	(\$174,313)	\$269,457	\$1,019,068	(\$194,349)	\$101,918
Net Change in Fund Balance	(\$380,952)	(\$701,768)	\$905,483	(\$545,442)	(\$1,209,183)
Fund Balance - Beginning	\$7,501,812	\$7,189,662	\$6,487,894	\$7,393,377	\$6,847,935
Fund Balance - Ending	\$7,120,860	\$6,487,894	\$7,393,377	\$6,847,935	\$5,638,752

Source: County 2014 - 2018 CAFRs.



Peer Group Overview

- Peer Comparatives allow the County to compare itself to other demographically similar and neighboring localities with respect to demographic, financial, and debt profiles.
- The following slides show how the County measures against the Peer Comparative Group as well as Industry Standard “Best Practice”, to help give insight to potential Financial Policies.
- The Peer Group was selected from counties with similar demographics and location to Patrick primarily in the Southwest Virginia Region.
- Also included in the presentation are selected Virginia Aa3 County medians and National Aa3 County medians for comparative purposes. Note that the County's current credit ratings are “A1/AA-”. The Aa3 medians were selected to provide a larger comparative universe.

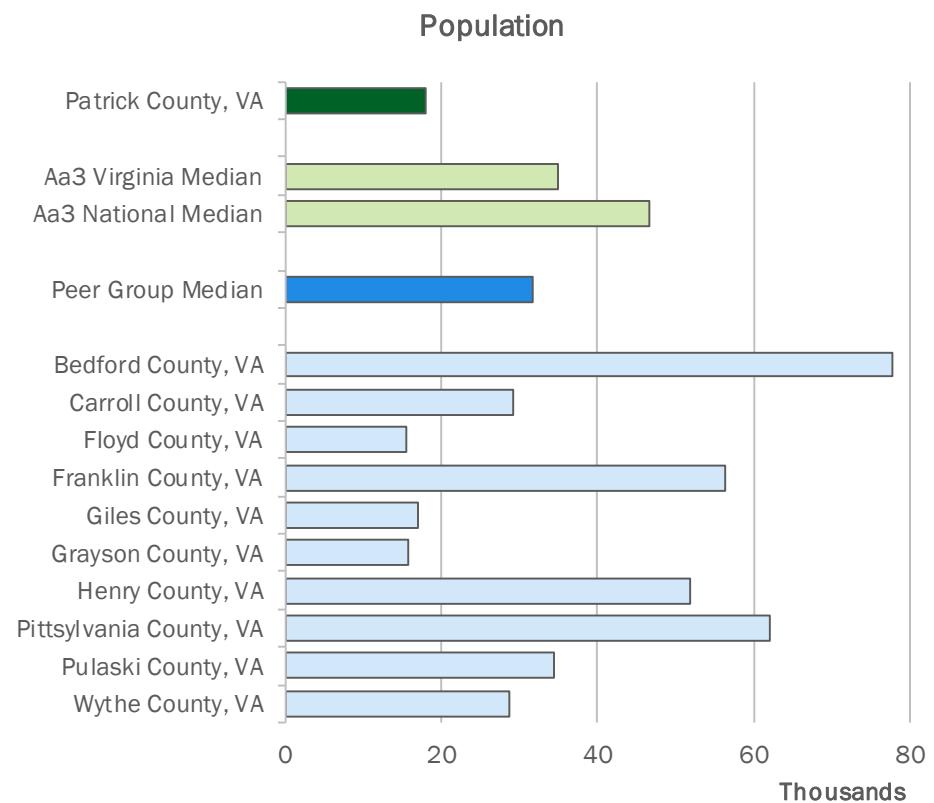




Population | Comparative

- The County's population is below the peer group and Aa3 Virginia and National medians.

County	Population	Rating (Moody's)	Rating (S&P)
Patrick County, VA	17,930	A1	AA-
Aa3 Virginia Median	34,904	Aa3	--
Aa3 National Median	46,583	Aa3	--
Peer Group Median	31,840	--	--
Bedford County, VA	77,807	--	--
Carroll County, VA	29,212	Aa3	--
Floyd County, VA	15,550	--	--
Franklin County, VA	56,427	Aa2	AA+
Giles County, VA	17,053	--	--
Grayson County, VA	15,669	--	--
Henry County, VA	51,975	Aa3	AA-
Pittsylvania County, VA	62,166	Aa3	AA-
Pulaski County, VA	34,467	Aa2	AA-
Wythe County, VA	28,723	--	--





Scenario One Detailed Cash-Flows

Fiscal Year	A	B	C	D	E	F	Savings
	Existing Debt Service	Refunded Debt Service	Less: Refunding Debt Service	Plus: VRA	Adjusted Debt Service (B-C+D+E)		
Total	\$53,914,727	\$8,604,426	\$8,490,933	\$79,872	\$53,881,104		\$33,624
2019	3,201,215	30,256	-	-	3,170,959		30,256
2020	3,353,223	718,524	277,871	6,197	2,918,767		434,456
2021	3,250,078	718,141	292,553	6,564	2,831,054		419,023
2022	2,971,295	729,367	300,803	6,520	2,549,252		422,043
2023	2,892,537	734,964	425,274	6,389	2,589,236		303,301
2024	2,889,472	742,489	434,162	6,166	2,587,310		302,162
2025	2,401,607	381,455	564,158	5,842	2,590,153		(188,546)
2026	2,280,984	181,533	487,258	5,468	2,592,176		(311,192)
2027	2,274,841	181,532	491,578	5,121	2,590,007		(315,166)
2028	2,266,192	181,522	504,988	4,744	2,594,402		(328,210)
2029	2,185,202	181,532	585,350	4,289	2,593,309		(408,107)
2030	2,183,692	181,530	587,782	3,757	2,593,701		(410,009)
2031	2,180,038	181,529	594,154	3,192	2,595,854		(415,816)
2032	2,173,673	181,520	296,375	2,784	2,291,312		(117,639)
2033	2,164,896	181,528	296,875	2,547	2,282,789		(117,893)
2034	2,163,503	181,527	296,875	2,297	2,281,148		(117,645)
2035	2,154,394	181,526	296,375	2,034	2,271,277		(116,883)
2036	2,147,569	181,518	295,375	1,759	2,263,185		(115,616)
2037	2,142,781	181,525	293,875	1,472	2,256,603		(113,822)
2038	2,134,921	181,524	291,875	1,172	2,246,445		(111,523)
2039	2,128,888	181,522	294,250	856	2,242,472		(113,584)
2040	547,045	181,516	291,000	525	657,054		(110,009)
2041	181,548	181,521	292,125	178	292,330		(110,782)
2042	181,548	181,519	-	-	29		181,519
2043	181,548	181,518	-	-	30		181,518
2044	181,548	181,513	-	-	35		181,513
2045	181,548	181,516	-	-	32		181,516
2046	181,548	181,514	-	-	34		181,514
2047	181,548	181,513	-	-	35		181,513
2048	181,548	181,510	-	-	38		181,510
2049	181,548	181,510	-	-	38		181,510
2050	181,548	181,508	-	-	40		181,508
2051	11,204	11,201	-	-	-		11,204

Note: Results are preliminary and subject to change. Actual results could vary substantially from these estimates. Assumes estimated current market interest rates as of the week of December 3, 2018.



Scenario Two Detailed Cash-Flows

Fiscal Year	A	B	C	D	E	F	Savings
	Existing Debt Service	Refunded Debt Service	Less: Refunding Debt Service	Plus: VRA	Adjusted Debt Service (B+C+D+E)		
Total	\$53,914,727	\$8,604,426	\$8,897,309	\$83,906	\$54,291,515		(\$376,787)
2019	3,201,215	30,256	-	-	3,170,959		30,256
2020	3,353,223	718,524	289,372	6,484	2,930,555		422,667
2021	3,250,078	718,141	304,803	6,870	2,843,610		406,467
2022	2,971,295	729,367	322,803	6,820	2,571,552		399,743
2023	2,892,537	734,964	446,774	6,677	2,611,023		281,514
2024	2,889,472	742,489	455,162	6,441	2,608,585		280,887
2025	2,401,607	381,455	584,658	6,105	2,610,915		(209,308)
2026	2,280,984	181,533	507,258	5,718	2,612,426		(339,442)
2027	2,274,841	181,532	515,953	5,355	2,614,617		(339,776)
2028	2,266,192	181,522	518,863	4,966	2,608,499		(342,307)
2029	2,185,202	181,532	603,850	4,501	2,612,021		(426,820)
2030	2,183,692	181,530	610,657	3,953	2,616,772		(433,081)
2031	2,180,038	181,529	611,404	3,373	2,613,285		(433,247)
2032	2,173,673	181,520	313,125	2,953	2,308,231		(134,558)
2033	2,164,896	181,528	313,125	2,703	2,299,195		(134,300)
2034	2,163,503	181,527	312,625	2,441	2,297,042		(133,539)
2035	2,154,394	181,526	311,625	2,166	2,286,659		(132,264)
2036	2,147,569	181,518	310,125	1,878	2,278,054		(130,485)
2037	2,142,781	181,525	313,000	1,575	2,275,831		(133,050)
2038	2,134,921	181,524	310,250	1,256	2,264,904		(129,983)
2039	2,128,888	181,522	316,750	919	2,265,034		(136,146)
2040	547,045	181,516	312,500	563	678,592		(131,547)
2041	181,548	181,521	312,625	191	312,843		(131,295)
2042	181,548	181,519	-	-	29		181,519
2043	181,548	181,518	-	-	30		181,518
2044	181,548	181,513	-	-	35		181,513
2045	181,548	181,516	-	-	32		181,516
2046	181,548	181,514	-	-	34		181,514
2047	181,548	181,513	-	-	35		181,513
2048	181,548	181,510	-	-	38		181,510
2049	181,548	181,510	-	-	38		181,510
2050	181,548	181,508	-	-	40		181,508
2051	11,204	11,201	-	-	-		11,204

Note: Results are preliminary and subject to change. Actual results could vary substantially from these estimates. Assumes estimated current market interest rates as of the week of December 3, 2018 plus 60 basis points.



Operating Revenues

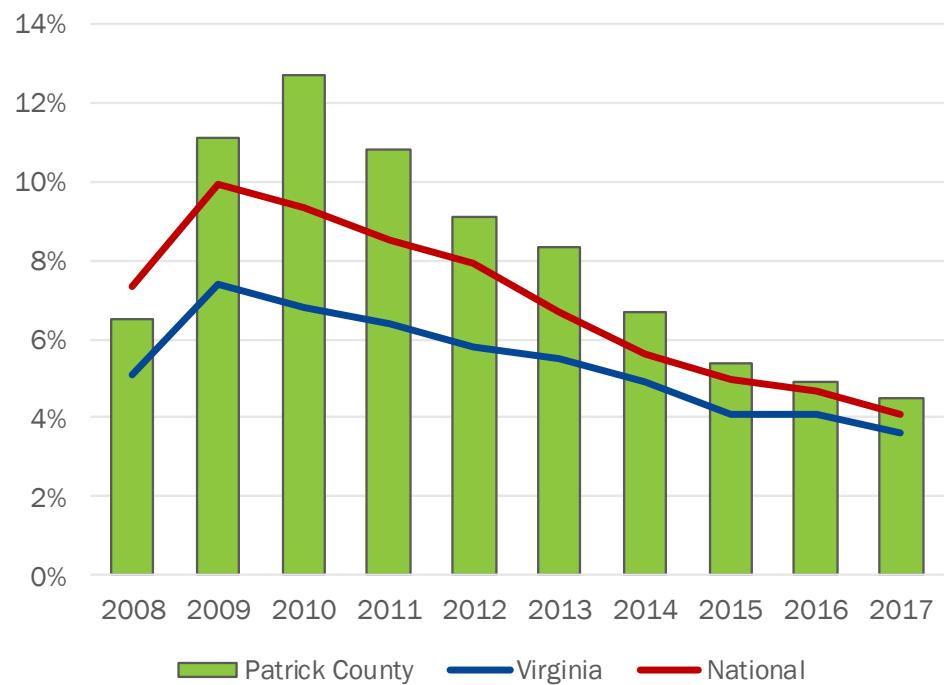
Fiscal Year	General Fund Revenues	School Revenues	Transfer to schools	Operating Revenues
2014	20,139,195	27,669,958	(4,660,379)	43,148,774
2015	20,661,656	27,157,634	(4,718,631)	43,100,659
2016	21,561,962	26,971,838	(4,851,974)	43,681,826
2017	22,609,231	27,969,118	(5,292,042)	45,286,307
2018	22,856,745	27,919,678	(5,669,531)	45,106,892



Unemployment Rate

- The County's unemployment rate has declined since 2010.

Calendar Year	Patrick County	Virginia	National
2008	6.5%	5.1%	7.3%
2009	11.1%	7.4%	9.9%
2010	12.7%	6.8%	9.3%
2011	10.8%	6.4%	8.5%
2012	9.1%	5.8%	7.9%
2013	8.3%	5.5%	6.7%
2014	6.7%	4.9%	5.6%
2015	5.4%	4.1%	5.0%
2016	4.9%	4.1%	4.7%
2017	4.5%	3.6%	4.1%

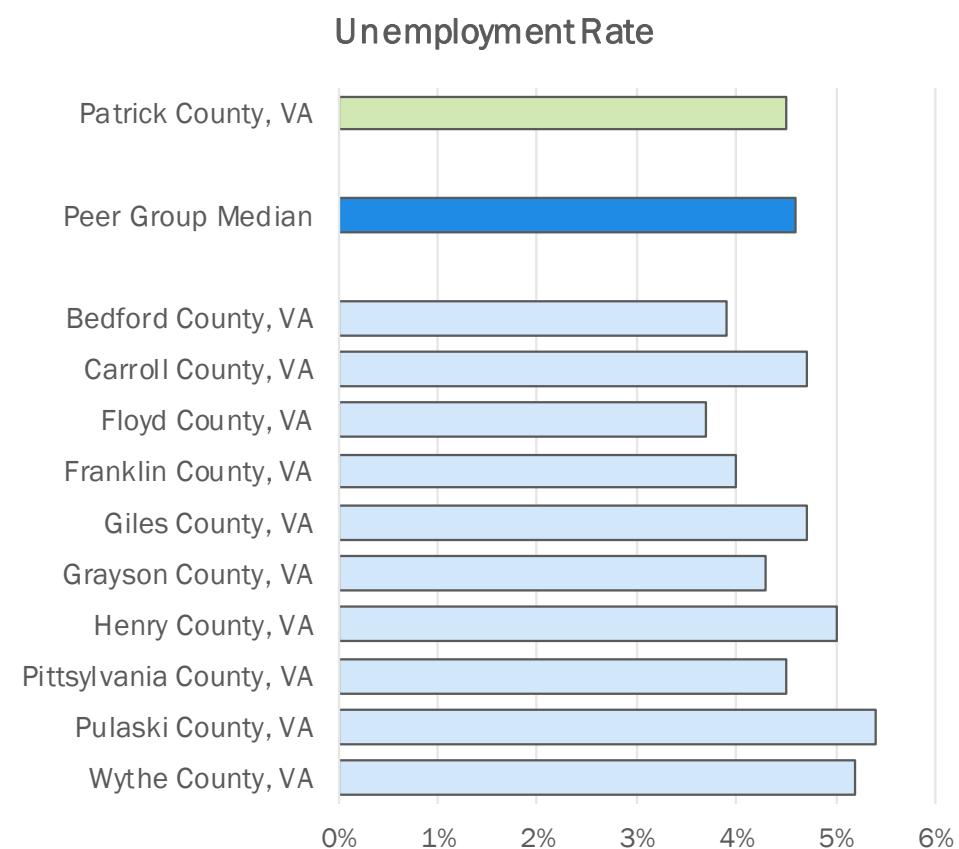




Unemployment Rate | Comparative

- The County's Unemployment Rate is in line with the peer group.

County	Unemployment Rate
Patrick County, VA	4.5%
Peer Group Median	4.6%
Bedford County, VA	3.9%
Carroll County, VA	4.7%
Floyd County, VA	3.7%
Franklin County, VA	4.0%
Giles County, VA	4.7%
Grayson County, VA	4.3%
Henry County, VA	5.0%
Pittsylvania County, VA	4.5%
Pulaski County, VA	5.4%
Wythe County, VA	5.2%





Dual-Track Approach / Access Viable Options

Direct Bank Loan

- Assess current market interest rates through a competitive Request for Proposals (RFP) process and potentially execute with the winning proposer amongst Local, Regional, and/or National Banking Institutions.
- A refinancing on a Bank Qualified (“BQ”) basis typically provides the lowest interest rate and assumes County issuance for the entire calendar year is \$10 Million or less.
 - The County’s BQ capacity may be independent of Lee County (the “County”); however, the County’s issuance may impact the BQ capacity available to the County. Further clarification will be needed from Legal Counsel in order to determine.
- Banks may provide fixed rates up to 20 years or with shorter maturities (i.e. approximately 10 years) with interest rate reset provisions.
- Streamlined issuance process that can be completed in 45 to 60 days.

VRA Pooled Financing Program

- Depending upon the results of the Bank RFP process, VRA may potentially provide an alternative financing source for the refunding opportunities.
- Bank Qualified is not applicable, therefore should not be a concern for the County.
- Up to 30 Years.
- Anticipated Pricing on or about 4/15/2019 and closing on or about 5/1/2019.



Key Characteristics of Direct Bank Loan Refunding

- Consider soliciting competitive financing proposals to provide a Direct Bank Loan.
 - Davenport, on the County's behalf, distributes an RFP to solicit competitive interest rate proposals from local, regional, and national lenders;
 - The RFP can specify several different loan terms and/or structure options for bidders to provide in their proposals;
 - The repayment structure can be tailored to meet the County's cash-flow needs;
 - The maximum final maturity the County would likely obtain would be approximately 20 years with a rate that may be fixed for 10 to 20 years;
 - The entire process could be completed in approximately 45-60 days;
 - The County has the benefit of knowing the terms and conditions before deciding whether or not to move forward;
 - All professionals (i.e. Davenport and Bond Counsel) typically work “at risk.” The County typically does not pay any costs if the County decides not to move forward with a transaction;
 - Direct Bank Loans often allow for the ability to prepay the loan at any time in whole or in part, and sometimes without penalty.



Key Characteristics of VRA Refunding

- The County's refunding would be issued in a pooled financing with other borrowers.
- The County may participate in a Spring 2019 pooled bond issue based on current planned timing of VRA's bond issues.
- VRA Refunding debt can go beyond 20 years and provide more flexibility in structuring cash flow savings.
- Interest Rates are subject to change until VRA's bonds are sold.
- Once Interest Rates are established during the bond sale, the cost of funds is fixed and will not change over the life of the transaction.
- The County would not be able to prepay or "redeem" the bonds that mature during the first 10 years of the loan without penalty. The bonds that mature after the first 10 years would be eligible for prepayment/redemption beginning in year 10, a typical feature of publicly-issued debt.



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