

Patrick County, Virginia

Comprehensive Financial Review



February 26, 2024

Patrick County, Virginia



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A. Background / Goals and Objectives

Patrick County, Virginia



Background / Davenport Approach

- Davenport & Company LLC (“Davenport”), in our role as Financial Advisor to Patrick County, Virginia (the “County”), was tasked to prepare/present a Comprehensive Financial Review to the County Board of Supervisors and the public concerning the County’s overall financial condition.
- In our capacity as the County’s Financial Advisor, Davenport has historically assisted the County with the following, among other services:
 - Multi-Year Debt and Capital Planning;
 - New Money and Refinancing debt issuance process; and
 - Interactions with Lending Institutions.
- Based on the current economic environment (i.e. inflation, supply chain pressures, etc.), local governments are facing a series of challenges that have not been seen in well over a decade. As such, it continues to be critical to consistently monitor financial trends and the resulting impacts on the County's long-term financial planning /strategy.
- As further described on the following page, the over-arching goal of the discussion presented herein is to identify strategies to maintain and enhance the financial strength and stability of the County, while also funding the County's important capital needs in a sustainable and financially responsible manner.



Goals and Objectives

- As part of the discussion presented herein, Davenport intends to accomplish the following:
 1. Review / update and provide perspective on the County's General Fund and Public Service Authority:
 - a) Historical financial results (FY 2018 – FY 2023);
 - b) Peer Comparatives (key financial metrics, ratios, and rates); and
 - c) Existing debt profile for FY 2024 and beyond.
 2. Recommend / Enhance Financial Policies in-line with Rating Agency “best-practices”.
 3. Present a preliminary debt capacity and affordability analysis to evaluate the County’s ability to fund its identified capital needs in a financially responsible manner.



B. Peer Comparatives and Financial / Demographic Trends

Patrick County, Virginia

Key Takeaways

Peer Comparatives and Financial/Demographic Trends

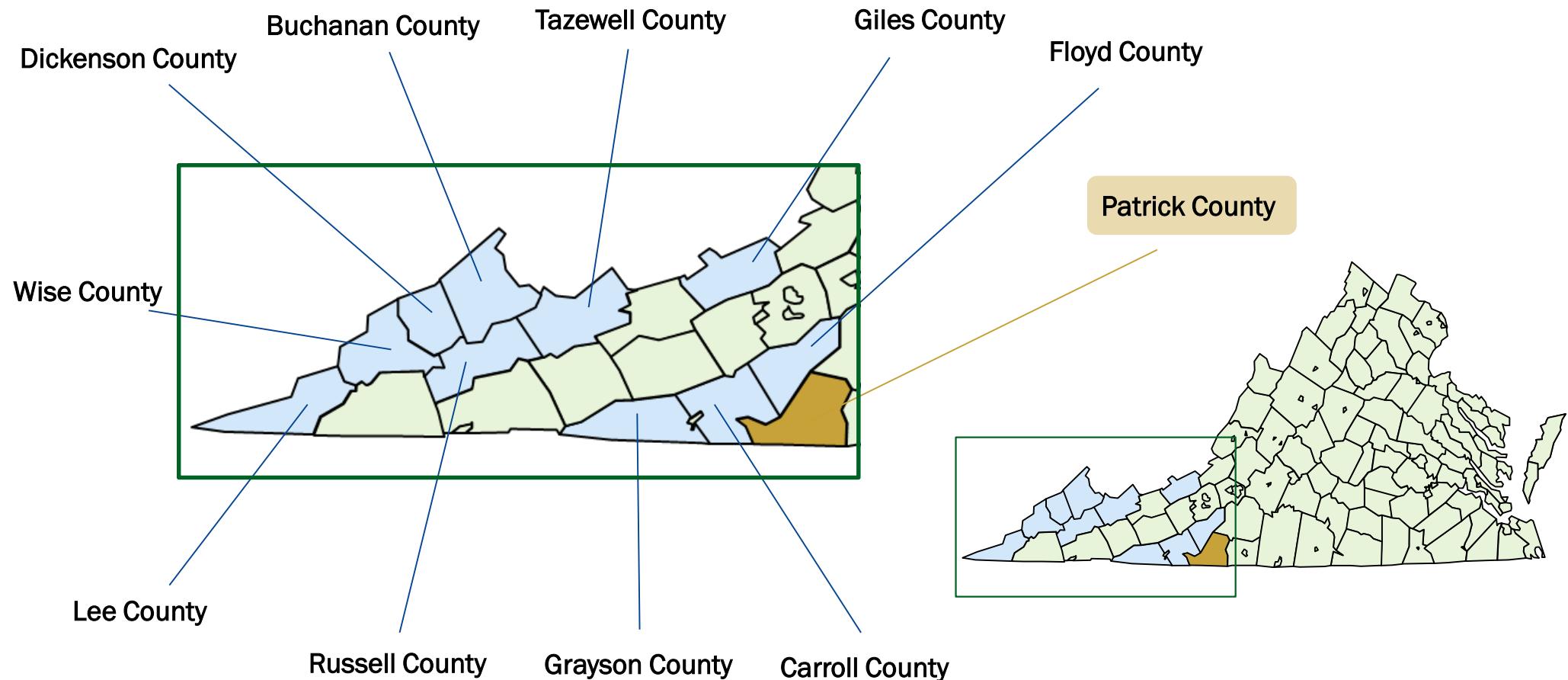


- The County compares favorably to other peer Virginia localities with respect to key demographic and economic indicators.
- While these demographic and economic indicators aren't directly within the County's immediate control, they are important to outside lenders / investors when assessing the financial strengths of the County.
- The Unemployment Rate is at the second lowest level seen in a decade.
- Median Household Income has grown roughly 41% over the last decade or roughly 3.9% annually.



Peer Group Overview

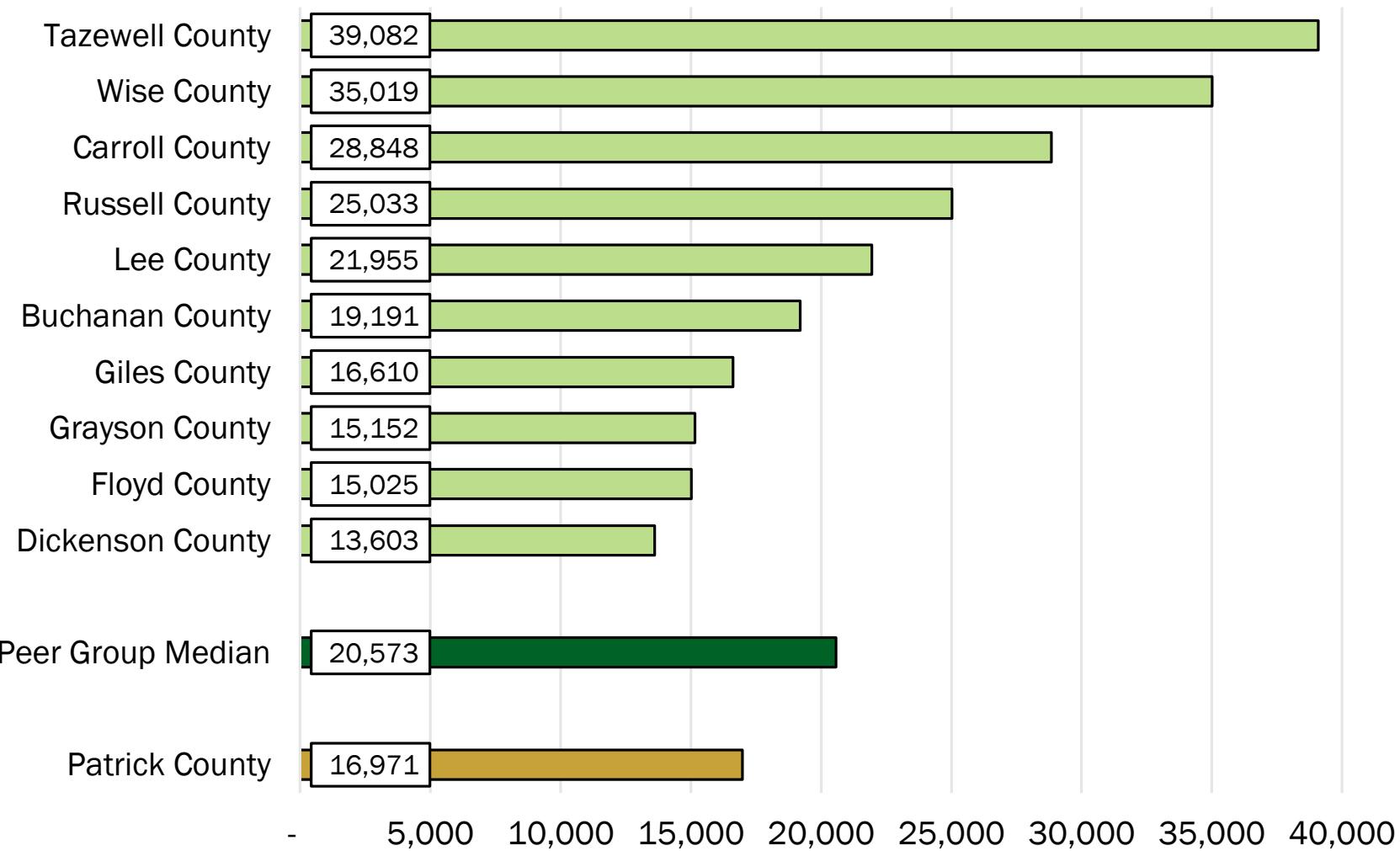
- Peer Comparatives allow the County the ability to compare itself to other demographically similar and neighboring localities with respect to economic, financial, and debt metrics.
- The following slides show how the County measures against the Peer Comparative Group to help give insight to potential Financial Policies.
- The Peer Group was selected from counties of similar size and location in Virginia.





Population | Comparative

Population

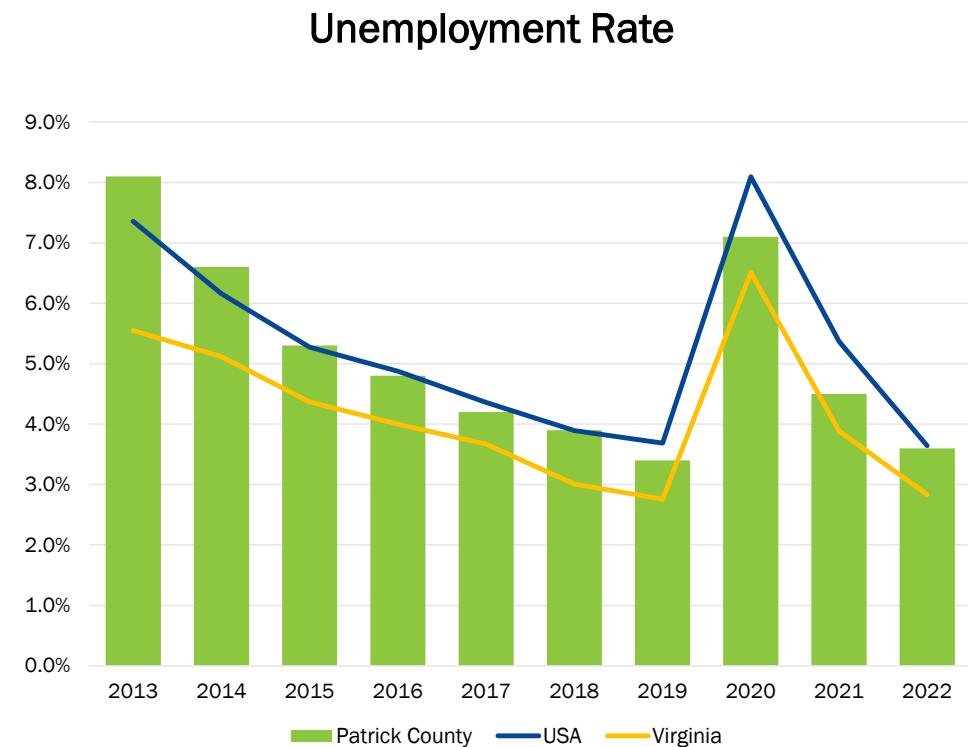




Unemployment Rate Trends

- The County's unemployment rate has declined substantially in the last two years, and is in line with the National unemployment rate.

Calendar Year	Patrick County	USA	Virginia
2013	8.1%	7.4%	5.6%
2014	6.6%	6.2%	5.1%
2015	5.3%	5.3%	4.4%
2016	4.8%	4.9%	4.0%
2017	4.2%	4.4%	3.7%
2018	3.9%	3.9%	3.0%
2019	3.4%	3.7%	2.8%
2020	7.1%	8.1%	6.5%
2021	4.5%	5.4%	3.9%
2022	3.6%	3.6%	2.8%

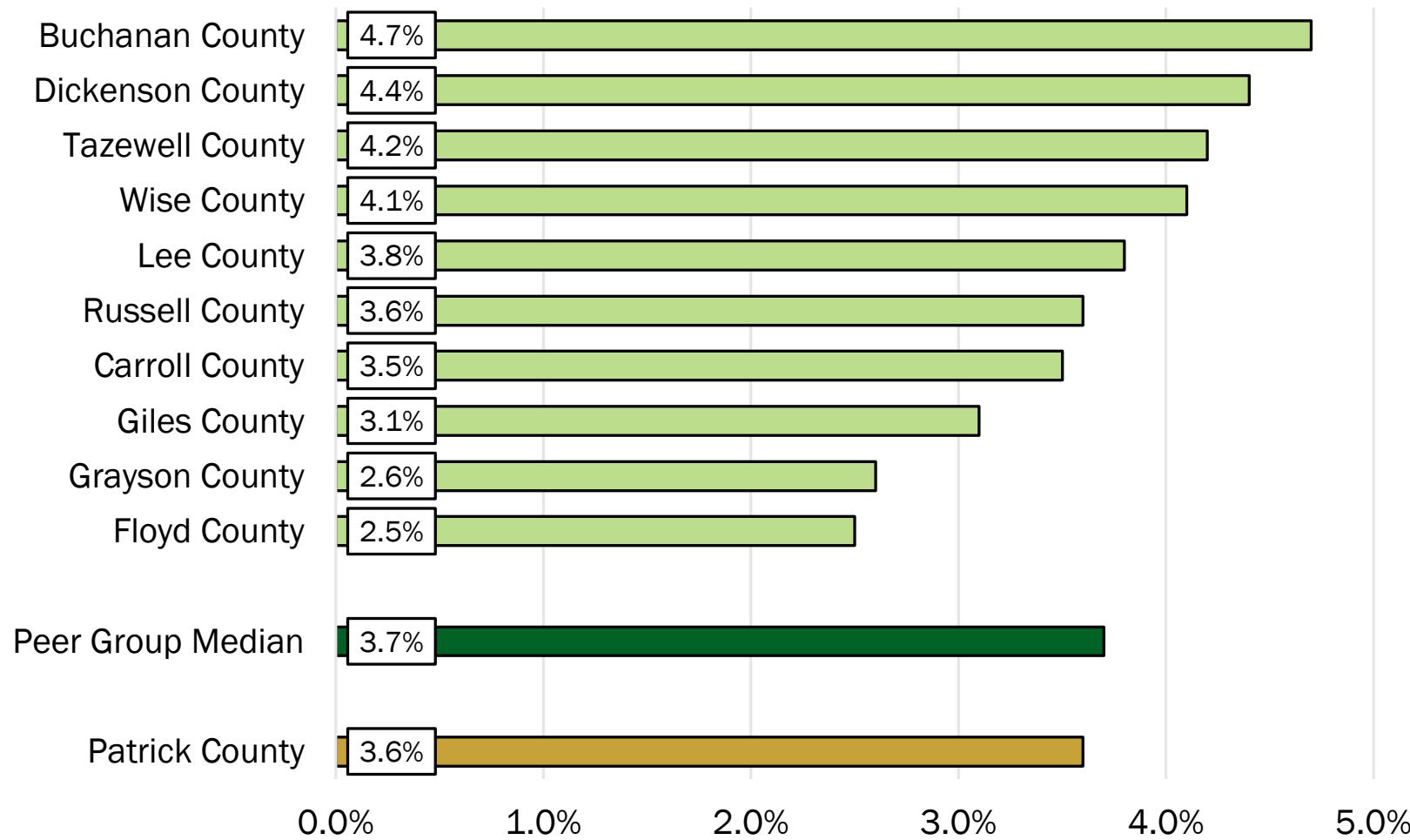




Unemployment Rate | Comparative

- The County's unemployment rate is below the County peer group median.

Unemployment Rate

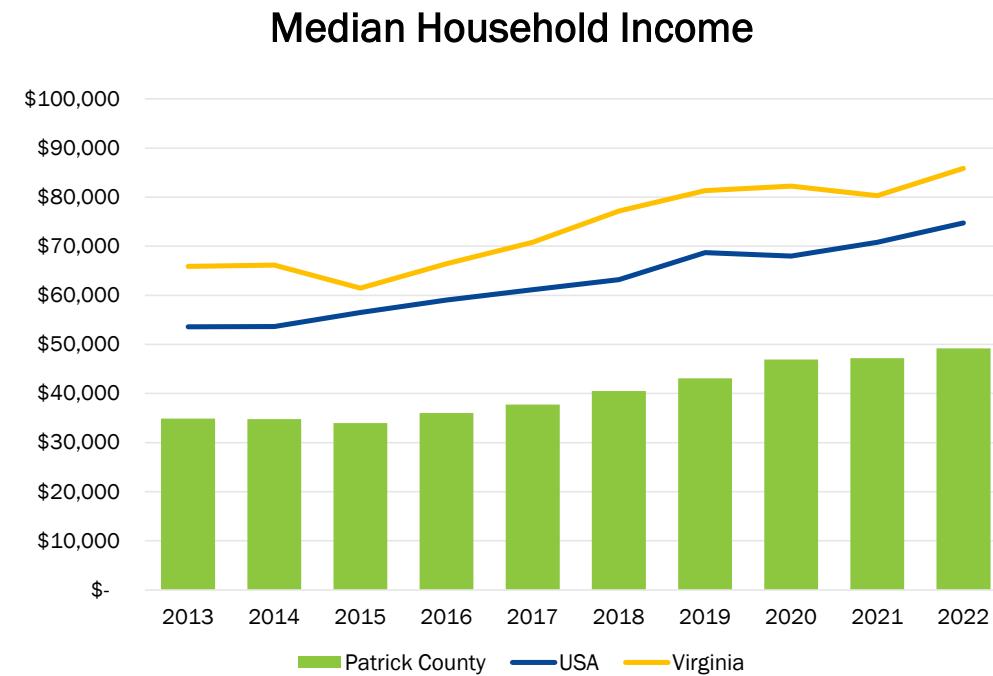




Median Household Income

- The County's median household income has steadily grown over the last decade.

Calendar Year	Patrick County	USA	Virginia
2013	\$ 34,864	\$ 53,585	\$ 65,907
2014	34,753	53,657	66,155
2015	33,982	56,516	61,486
2016	35,999	59,039	66,451
2017	37,757	61,136	70,811
2018	40,486	63,179	77,151
2019	43,073	68,703	81,313
2020	46,941	68,010	82,214
2021	47,215	70,784	80,268
2022	49,180	74,755	85,873
5-Year CAGR	5.0%	4.3%	2.7%
10-Year CAGR	3.9%	3.8%	3.0%



Note: CAGR is compounded annual growth rate.

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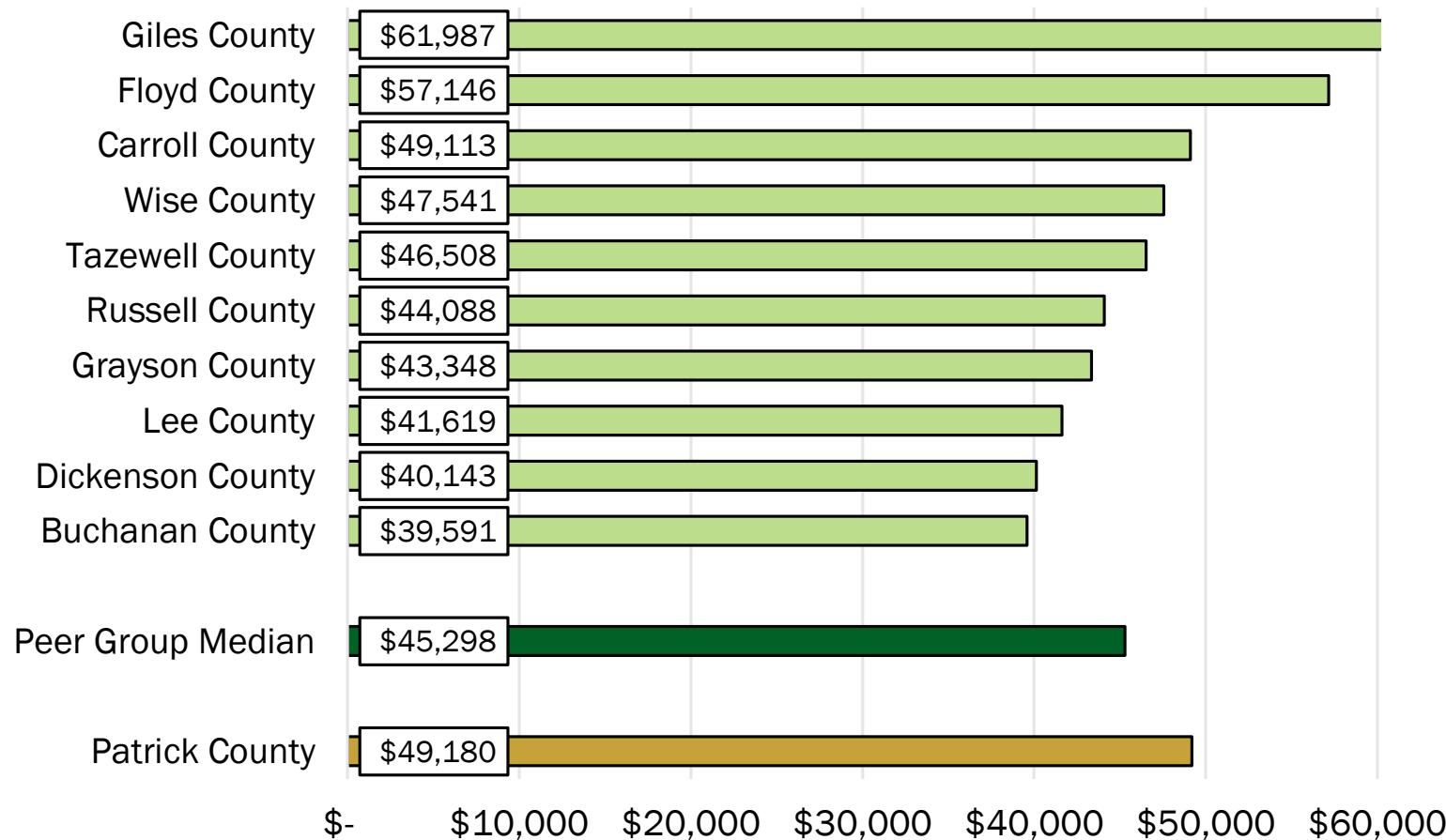
Source: US Census Bureau.



Median Household Income | Comparative

- The County's Median Household Income is above the County peer group median.

Median Household Income





C. Tax Base & Tax Rate Trends

Patrick County, Virginia

Key Takeaways

Tax Base & Tax Rate Trends

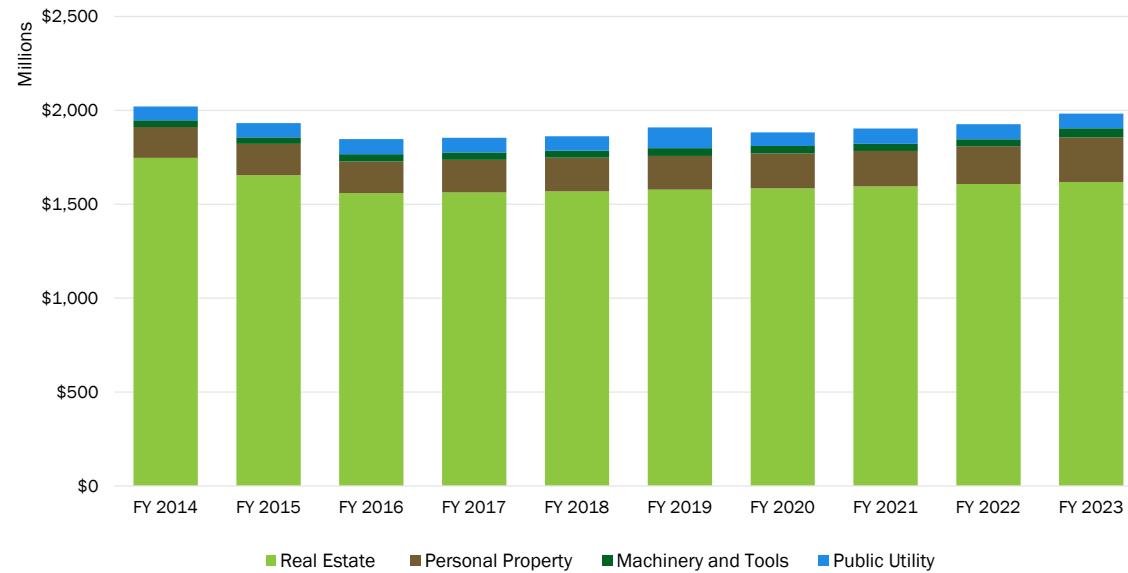


- The County's Assessed Value has remained stable over the last decade.
- The County's Assessed Value per Capita is above the County peer group median.
- The County's Real Estate Tax Rate is slightly above the peer group median.
- The County's Real Estate Tax Rate has incrementally increased from \$0.57 in FY 2017 to \$0.73 in FY 2024.



Historical Assessed Value

Historical Assessed Value



Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utility	TOTAL	Growth
FY 2014	\$1,747,596,250	\$164,524,594	\$35,330,203	\$73,199,458	\$2,020,650,505	
FY 2015	1,655,322,650	166,685,416	34,927,504	75,872,248	1,932,807,818	-4.3%
FY 2016	1,560,070,500	167,955,144	38,455,812	81,109,560	1,847,591,016	-4.4%
FY 2017	1,563,661,350	173,386,314	38,492,368	78,496,926	1,854,036,958	0.3%
FY 2018	1,569,230,400	178,595,077	37,324,141	76,804,155	1,861,953,773	0.4%
FY 2019	1,577,743,350	180,371,173	40,999,490	110,107,807	1,909,221,820	2.5%
FY 2020	1,585,562,750	184,787,026	40,593,034	72,310,995	1,883,253,805	-1.4%
FY 2021	1,595,935,950	187,775,181	38,629,724	81,559,947	1,903,900,802	1.1%
FY 2022	1,607,962,200	200,813,112	37,099,657	80,534,559	1,926,409,528	1.2%
FY 2023	1,618,762,300	237,660,769	48,279,707	78,488,844	1,983,191,620	2.9%
5 Year CAGR	0.6%	7.1%	4.2%	-8.1%	1.0%	
10 Year CAGR	-0.8%	4.2%	3.5%	0.8%	-0.2%	

Note: CAGR is compounded annual growth rate.

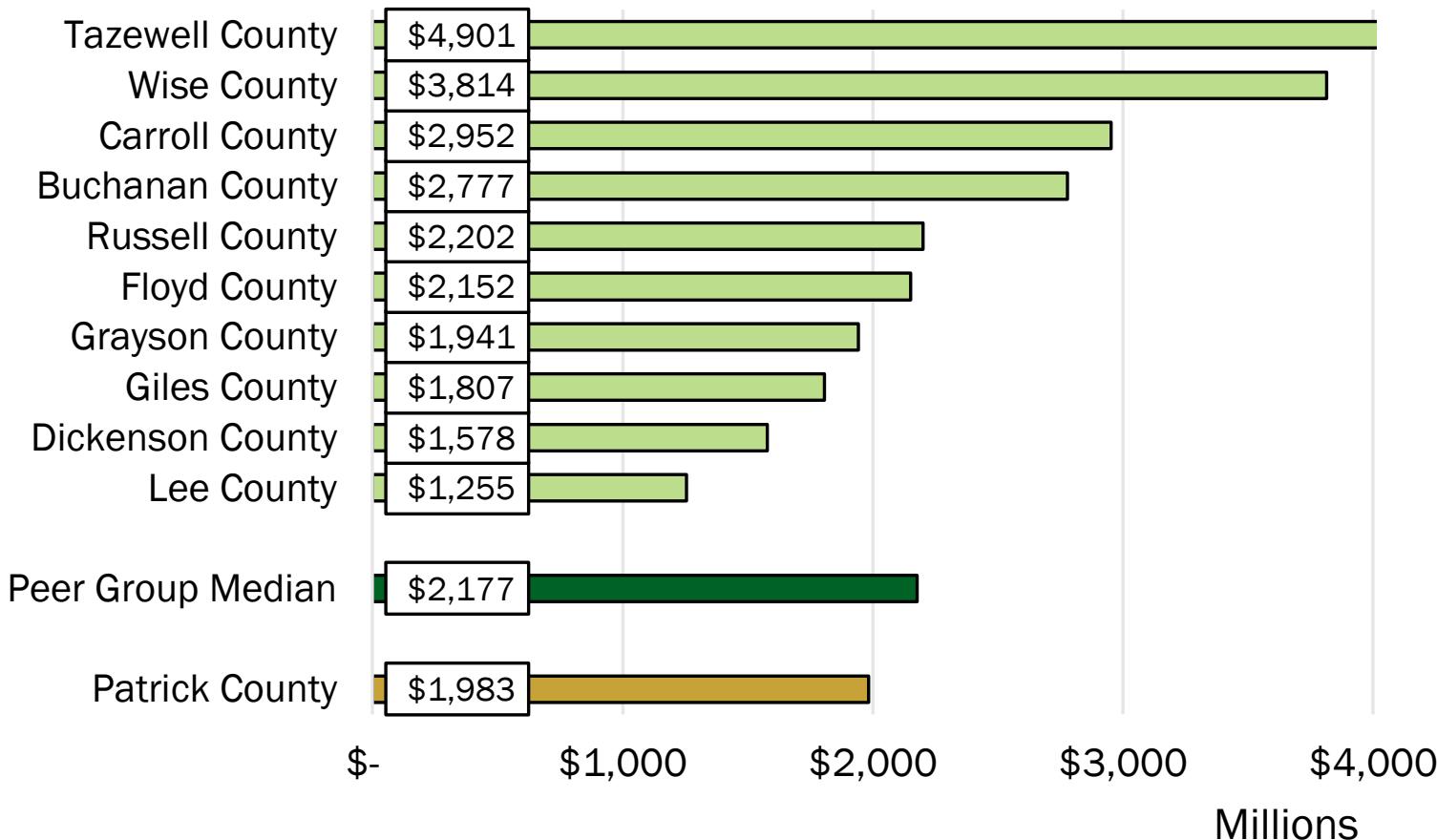
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Source: FY 2023 Audit.



Total Assessed Value | Comparative

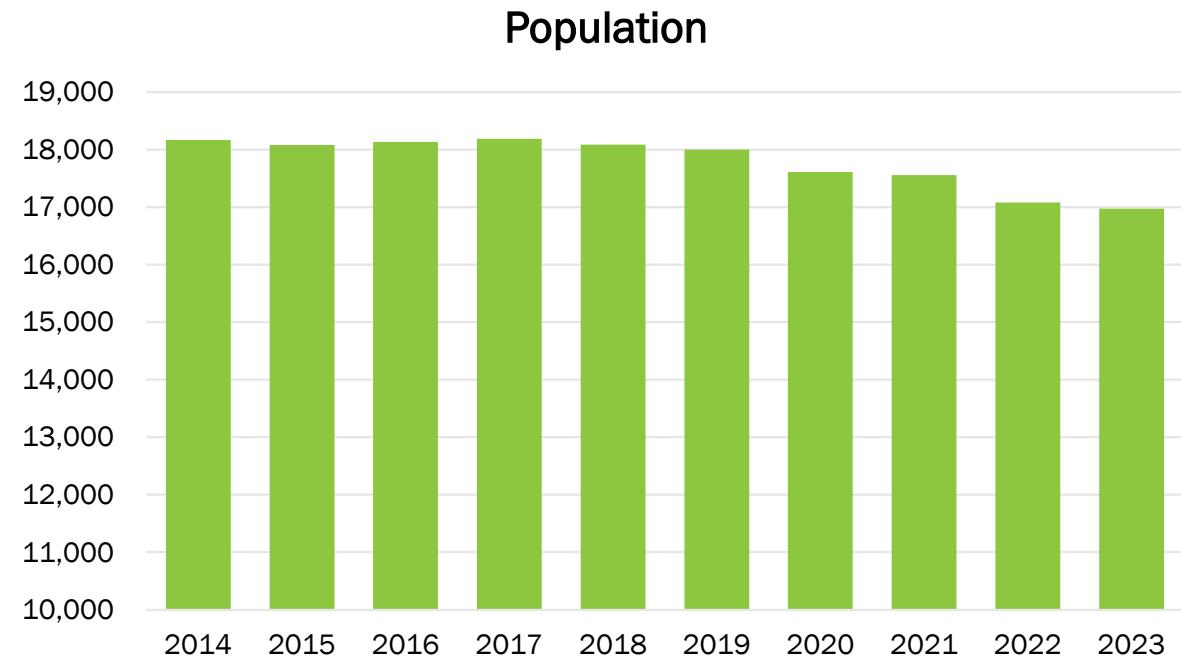
Total Assessed Value





Historical Population

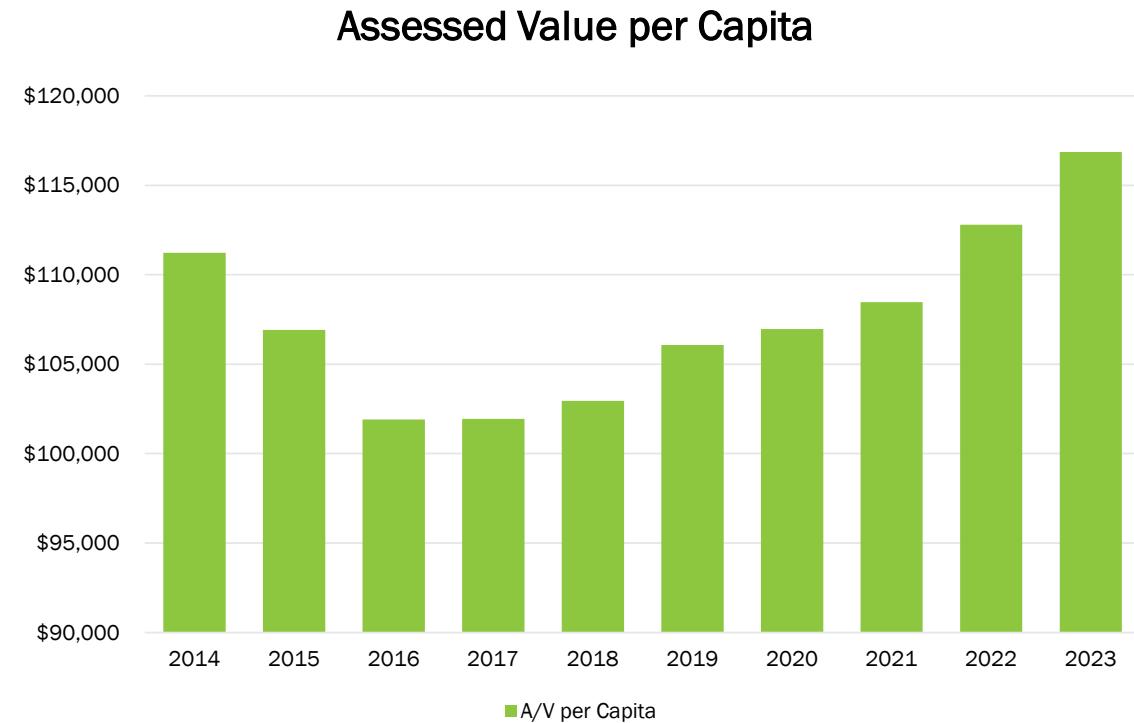
July 1 Estimate	Population
2014	18,166
2015	18,079
2016	18,131
2017	18,189
2018	18,088
2019	17,999
2020	17,608
2021	17,554
2022	17,080
2023	16,971





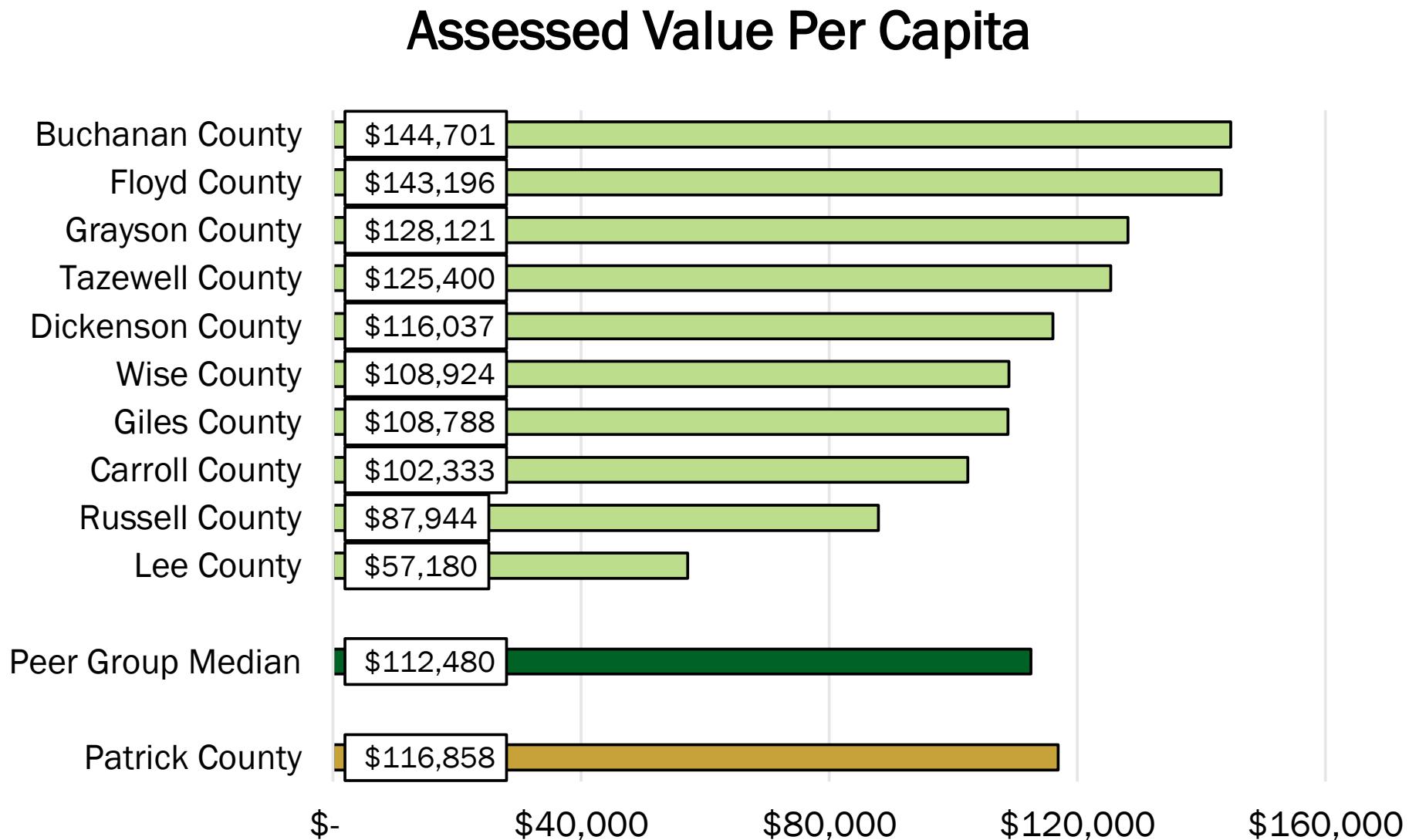
Assessed Value (“A/V”) Per Capita Trends

FY	A/V per Capita
2014	\$ 111,233
2015	106,909
2016	101,902
2017	101,932
2018	102,939
2019	106,074
2020	106,954
2021	108,460
2022	112,787
2023	116,858





Assessed Value Per Capita | Comparative

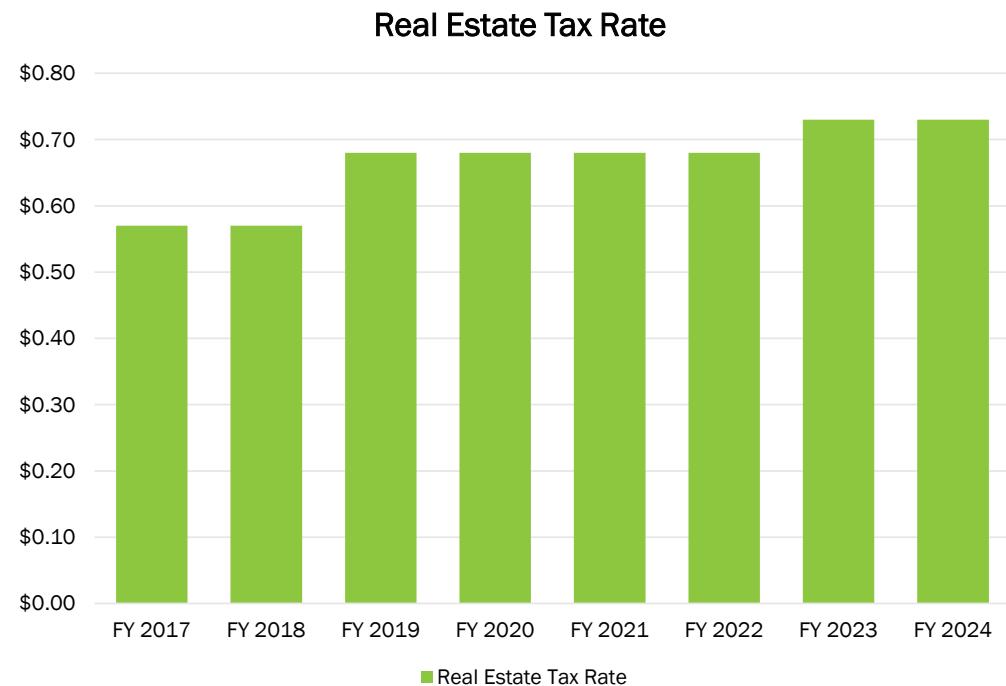


Source: Patrick County FY 2023 Audit, Weldon Cooper Data as of July 1, 2023 Estimate, Most recently available Locality Audits.



Real Estate Tax Rate Trends

FY	Real Estate Tax Rate (Per \$100 of Assessed Value)
2017	\$0.57
2018	\$0.57
2019	\$0.68
2020	\$0.68
2021	\$0.68
2022	\$0.68
2023	\$0.73
2024	\$0.73

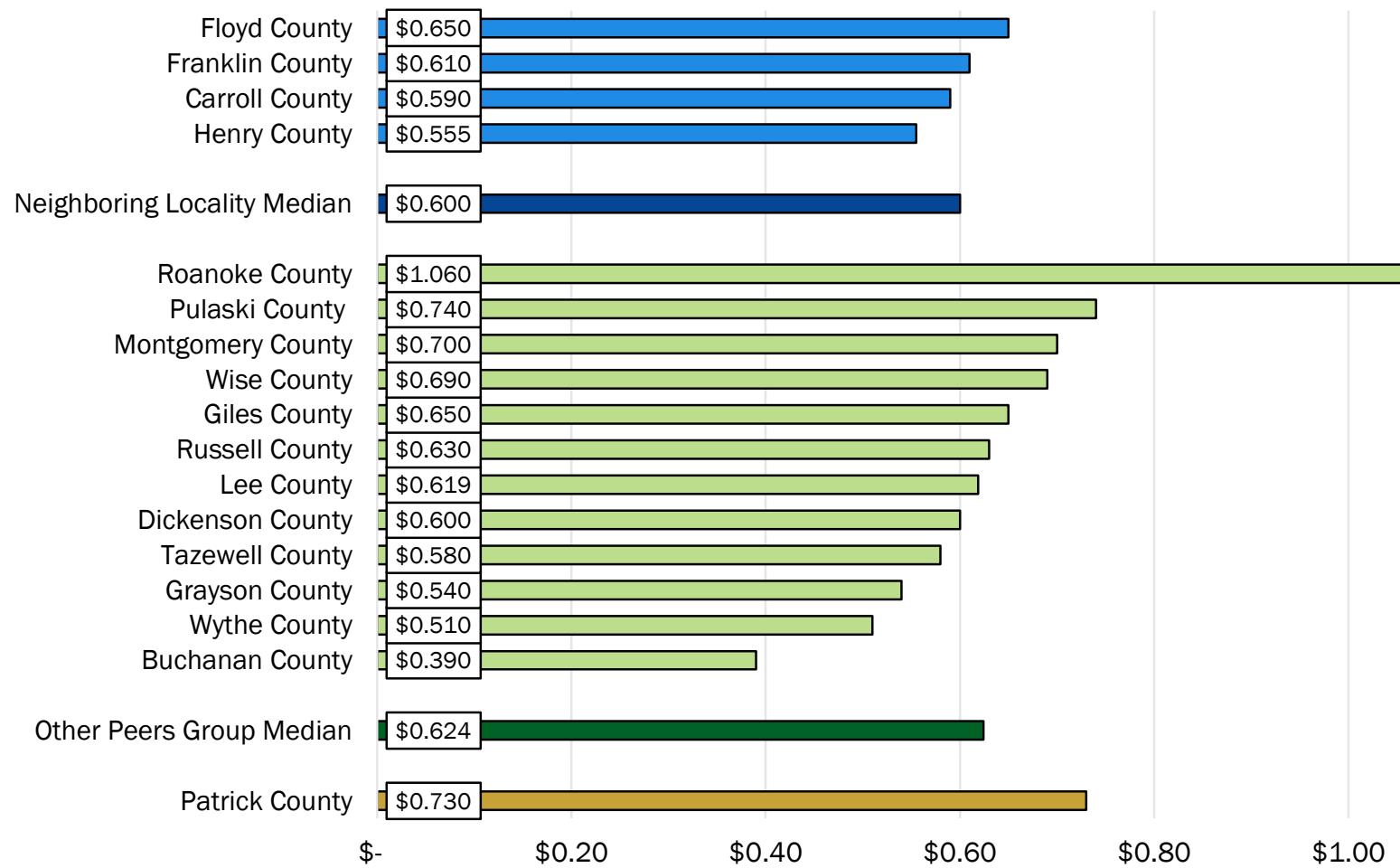




Real Estate Tax Rate | Comparative

- The Real Estate Tax Rates of the Peer Group and other Neighboring Localities are shown below.

Real Estate Tax Rate



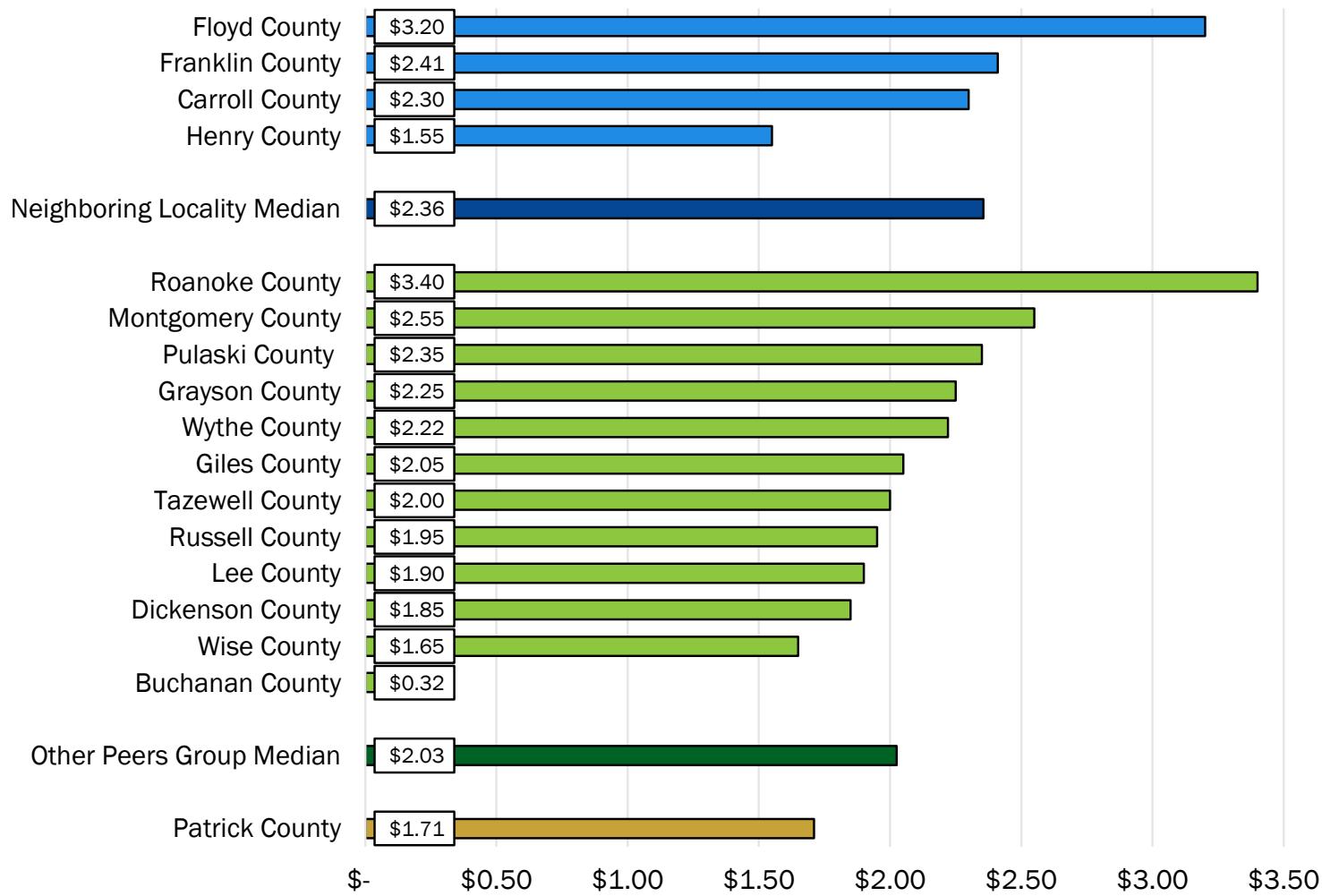
Source: Locality Budgets / Websites. Rates as of FY 2024.



Personal Property Tax Rate | Comparative

- The Personal Property Tax Rate of the County is lower than both Peer Group medians.

Personal Property Tax Rate



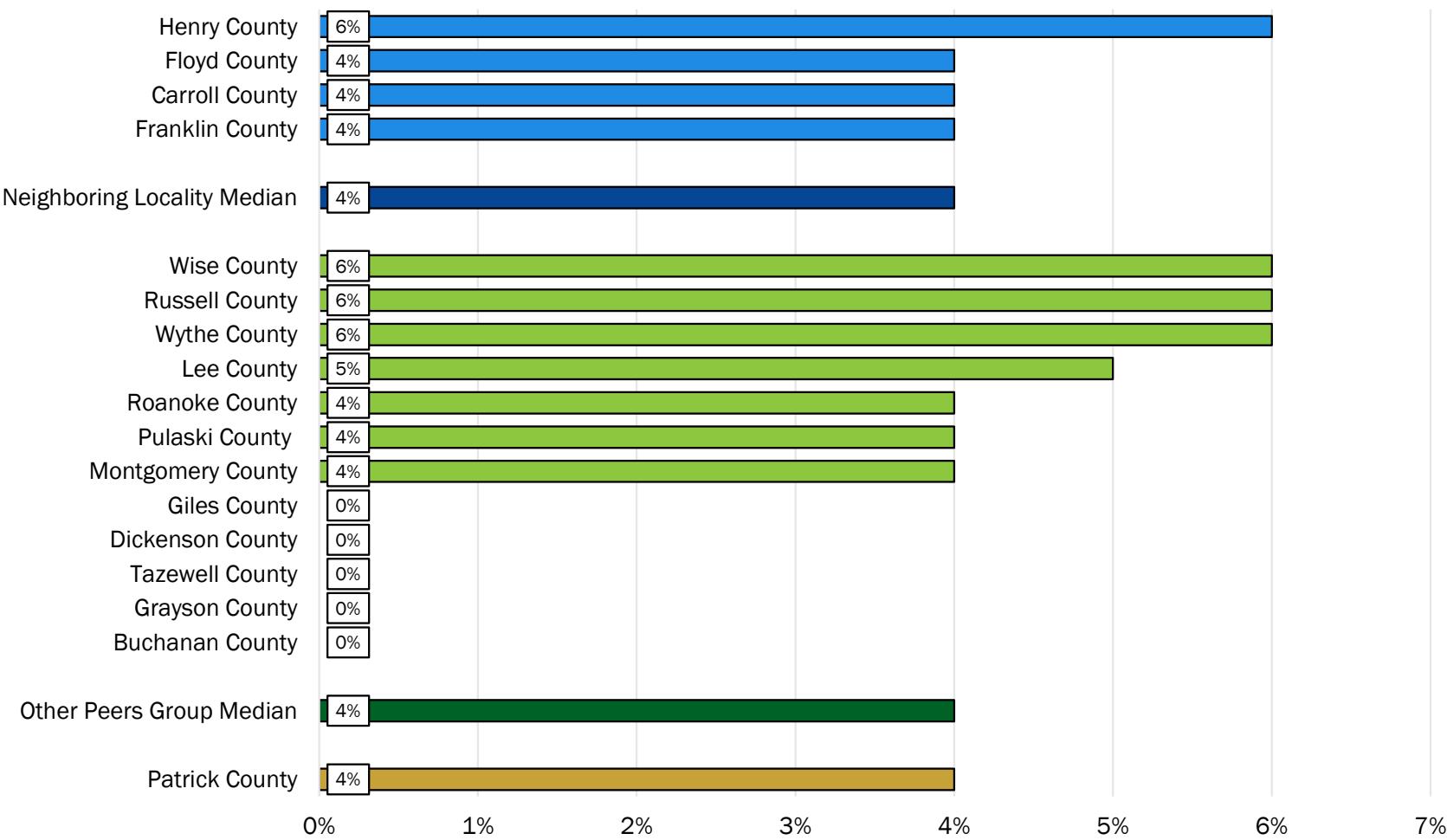
Source: Locality Budgets / Websites. Rates as of FY 2024.



Meals Tax Rate | Comparative

- The Meals Tax Rates of the Peer Group and other Neighboring Localities are shown below.

Meals Tax Rate

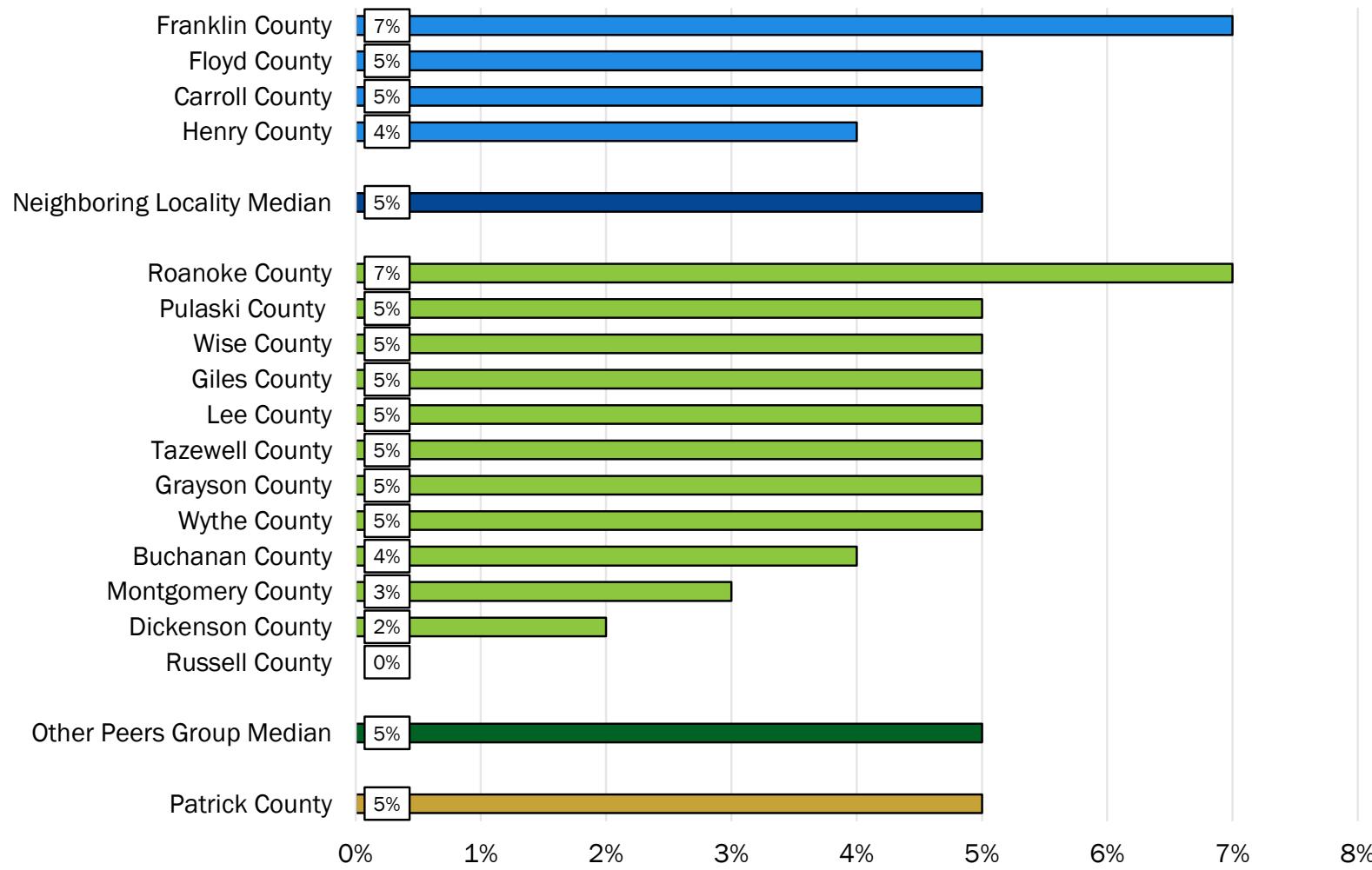




Transient Occupancy Tax Rate | Comparative

- The Real Estate Tax Rates of the Peer Group and other Neighboring Localities are shown below.

Transient Occupancy Tax Rate



Source: Locality Budgets / Websites. Rates as of FY 2024.



D. General Fund

Patrick County, Virginia

Key Takeaways

General Fund

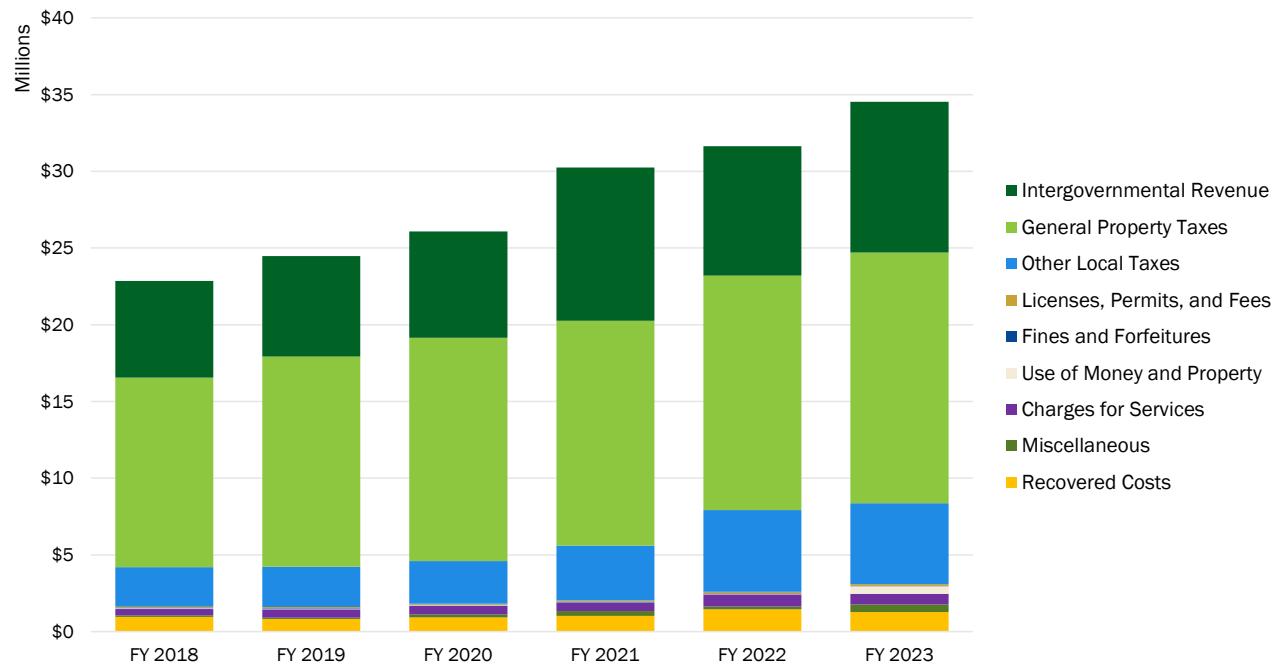


- The County's General Fund produced a surplus in five out of the six past Fiscal Years (FY 2018 – FY 2023). This is a positive reversal from the FY2014 to FY2018 time period when the County ran annual deficits in the General Fund and drew down its reserves to levels that threatened its financial stability.
- The net result of the prior five Fiscal Years (FY 2019 – FY 2023) was a substantial increase in the County's Reserves.
- This increase was driven in part by “one-time” Federal pandemic related programs. Financial support of this type is not available for future years.
- The County's reserve levels, which were historically low relative to “best-practices,” are now in a much stronger position.
- Reserves / Unassigned Fund Balance is arguably one of the most important financial metrics for a County such as Patrick, especially given the impact of inflation on both the operating and capital budgets.



Historical Trend Analysis | General Fund Revenues

- On average, Total Revenues have grown 9.0% each year over the past 5 years.
- The County's Other Local Taxes are detailed on the following page. Growth in these revenues is driven in part by the new 1% sales tax that is restricted for School Construction.
- Intergovernmental Revenues shown separately to provide a more accurate depiction of the County's recurring revenues. Intergovernmental Revenues were impacted by pandemic related Federal/State programs and thus were artificially high in recent years.



General Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Five Year CAGR
Revenues:							
General Property Taxes	\$ 12,358,878	\$ 13,685,589	\$ 14,542,405	\$ 14,651,305	\$ 15,282,528	\$ 16,348,016	4.5%
Other Local Taxes	2,580,028	2,630,959	2,785,240	3,577,053	5,323,716	5,266,173	18.9%
Licenses, Permits, and Fees	80,507	68,349	72,788	88,880	112,163	119,548	15.0%
Fines and Forfeitures	20,530	28,190	20,401	37,064	28,594	21,981	-6.0%
Use of Money and Property	44,076	51,894	47,465	25,930	33,799	489,440	75.2%
Charges for Services	414,901	551,942	558,090	538,435	795,317	697,792	6.0%
Miscellaneous	92,938	88,385	198,114	317,355	171,033	492,504	53.6%
Recovered Costs	964,697	819,194	919,236	1,022,770	1,459,903	1,275,644	11.7%
Total Revenues Less Intergovernmental	\$ 16,556,555	\$ 17,924,502	\$ 19,143,739	\$ 20,258,792	\$ 23,207,053	\$ 24,711,098	8.4%
Intergovernmental Revenues	6,300,190	6,545,977	6,931,765	9,996,723	8,426,650	9,819,671	10.7%
Total Revenues	\$ 22,856,745	\$ 24,470,479	\$ 26,075,504	\$ 30,255,515	\$ 31,633,703	\$ 34,530,769	9.0%

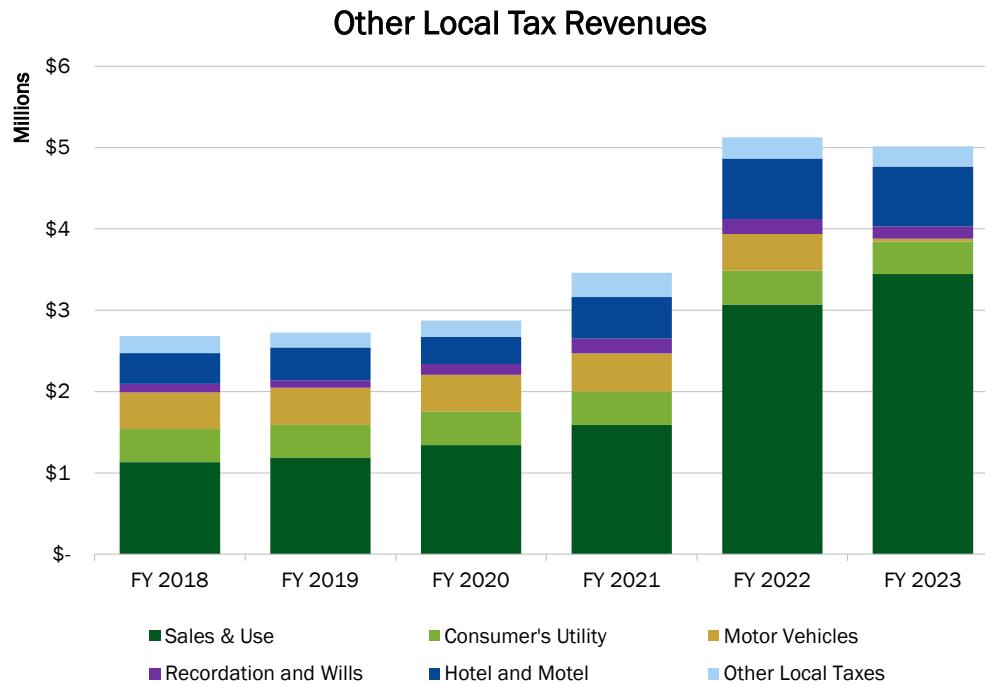
Note: CAGR is compounded annual growth rate.

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Source: FY 2018 – FY 2023 Audits.



Historical Trend Analysis | Other Local Taxes



Sales and Use Tax in FY 2022 and FY 2023 had substantial increases attributed to the collection of the additional 1% Sales Tax dedicated to benefit school construction.⁽¹⁾

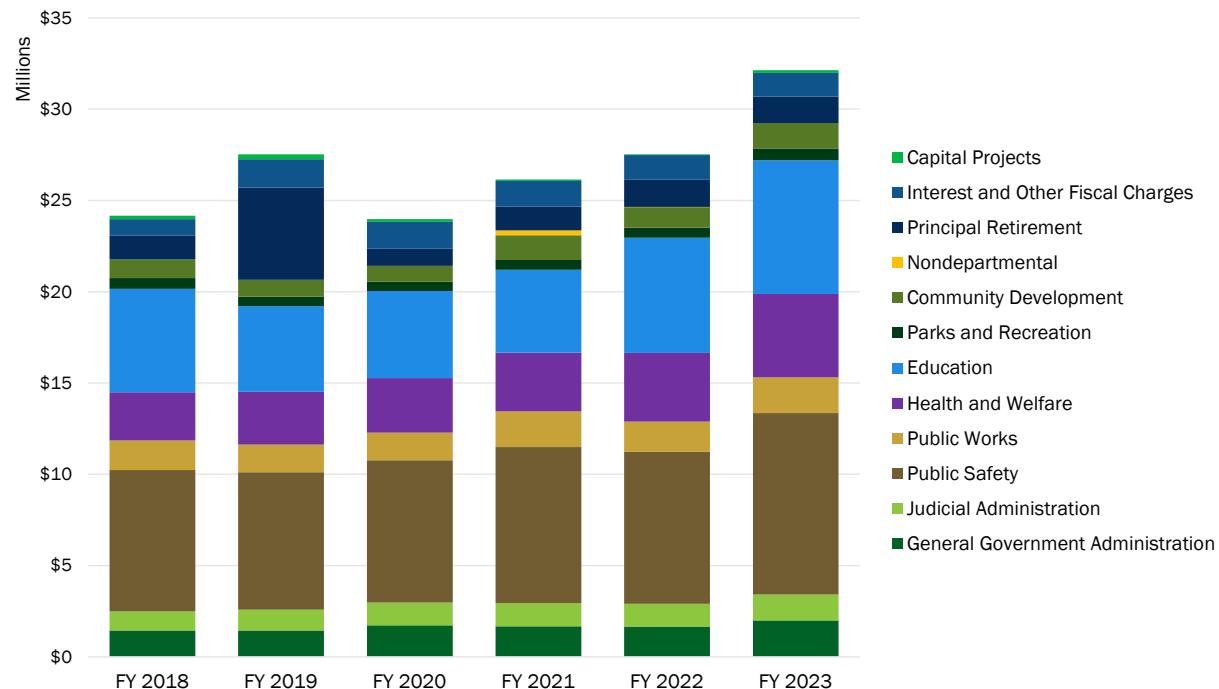
Summary of Other Local Tax Revenues							Five Year CAGR
Other Local Taxes	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
Sales & Use	\$ 1,132,476	\$ 1,182,111	\$ 1,341,836	\$ 1,588,571	\$ 3,071,890	\$ 3,445,895	30.7%
Consumer's Utility	406,855	408,760	410,257	414,287	415,039	399,792	-0.6%
Gross Receipts	8,678	4,970	4,475	2,412	1,926	2,552	-15.3%
Consumption	57,167	57,039	54,434	55,996	55,898	53,433	-1.6%
Motor Vehicles	451,430	457,281	455,497	468,537	452,248	34,272	-47.7%
Bank Stock	42,455	24,902	10,053	58,158	6,573	7,454	-26.0%
Recordation and Wills	103,542	92,004	131,050	181,022	181,775	151,391	13.3%
Hotel and Motel	377,425	403,892	335,266	511,017	745,475	736,375	16.2%
Food and Beverage	-	-	42,372	297,053	380,163	403,950	n/a
Cigarette	-	-	-	-	12,729	31,059	n/a
Total	\$ 2,580,028	\$ 2,630,959	\$ 2,785,240	\$ 3,577,053	\$ 5,323,716	\$ 5,266,173	18.9%

Note: CAGR is compounded annual growth rate.



Historical Trend Analysis | General Fund Expenditures

- On average, Total General Fund Expenditures have grown by approximately 3.8% each year over the past five years, which is only slightly above the 5-Year average inflation rate of 3.7%.
- Capital Projects are taken out of General Fund Expenditures to provide a more accurate depiction of the County's recurring Operating Expenses.



General Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Five Year CAGR
Expenditures:							
General Government	\$ 1,440,861	\$ 1,441,172	\$ 1,722,099	\$ 1,672,637	\$ 1,661,445	\$ 2,000,302	8.5%
Judicial Administration	1,049,636	1,139,437	1,249,062	1,269,756	1,247,700	1,415,337	5.6%
Public Safety	7,740,086	7,536,155	7,795,372	8,551,024	8,327,673	9,933,893	7.2%
Public Works	1,623,260	1,512,428	1,519,158	1,951,110	1,650,557	1,966,141	6.8%
Health and Welfare	2,639,148	2,891,408	2,988,596	3,214,619	3,767,388	4,562,988	12.1%
Education	5,669,531	4,691,554	4,767,759	4,550,396	6,300,931	7,331,168	11.8%
Parks and Recreation	579,790	513,155	508,802	535,378	557,735	643,037	5.8%
Community Development	1,028,313	927,193	872,151	1,348,752	1,116,995	1,390,238	10.7%
Nondepartmental	-	-	-	264,006	21,000	-	n/a
Bond Issuance Costs	-	178,748	-	-	-	-	n/a
Principal Retirement	1,295,107	5,050,696	929,347	1,302,911	1,486,987	1,445,618	-26.9%
Interest and other fiscal charges	907,880	1,557,704	1,477,347	1,399,276	1,347,273	1,294,491	-4.5%
Expenditures Less Capital Projects	\$ 23,973,612	\$ 27,439,650	\$ 23,829,693	\$ 26,059,865	\$ 27,485,684	\$ 31,983,213	3.9%
Capital Projects	194,234	268,442	140,619	79,948	35,438	152,415	-13.2%
Total Expenditures	\$ 24,167,846	\$ 27,708,092	\$ 23,970,312	\$ 26,139,813	\$ 27,521,122	\$ 32,135,628	3.8%

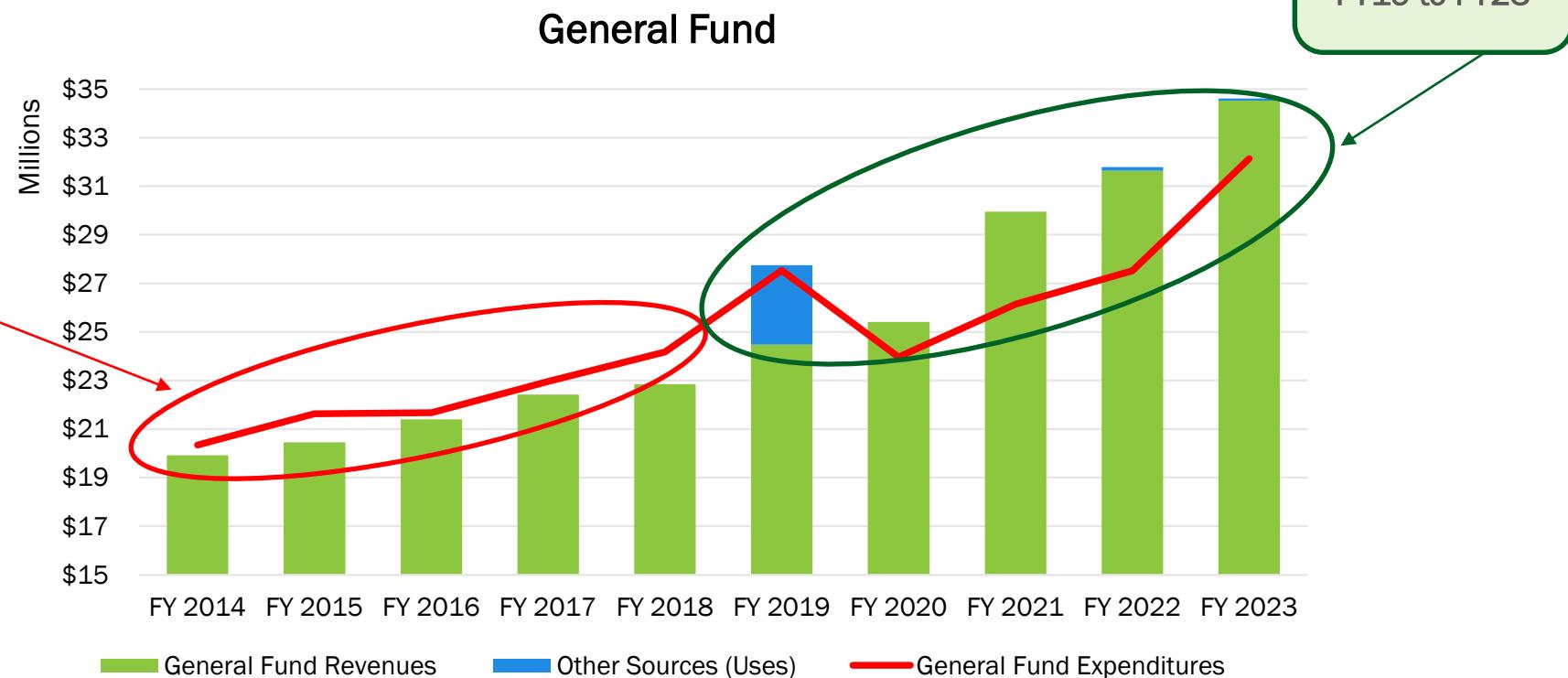
Note: CAGR is compounded annual growth rate.

Source: FY 2018 – FY 2023 Audits, U.S. Bureau of Labor Statistics.



Annual General Fund Surplus / Deficit

- The General Fund has produced a net surplus in each of the past 5 years.

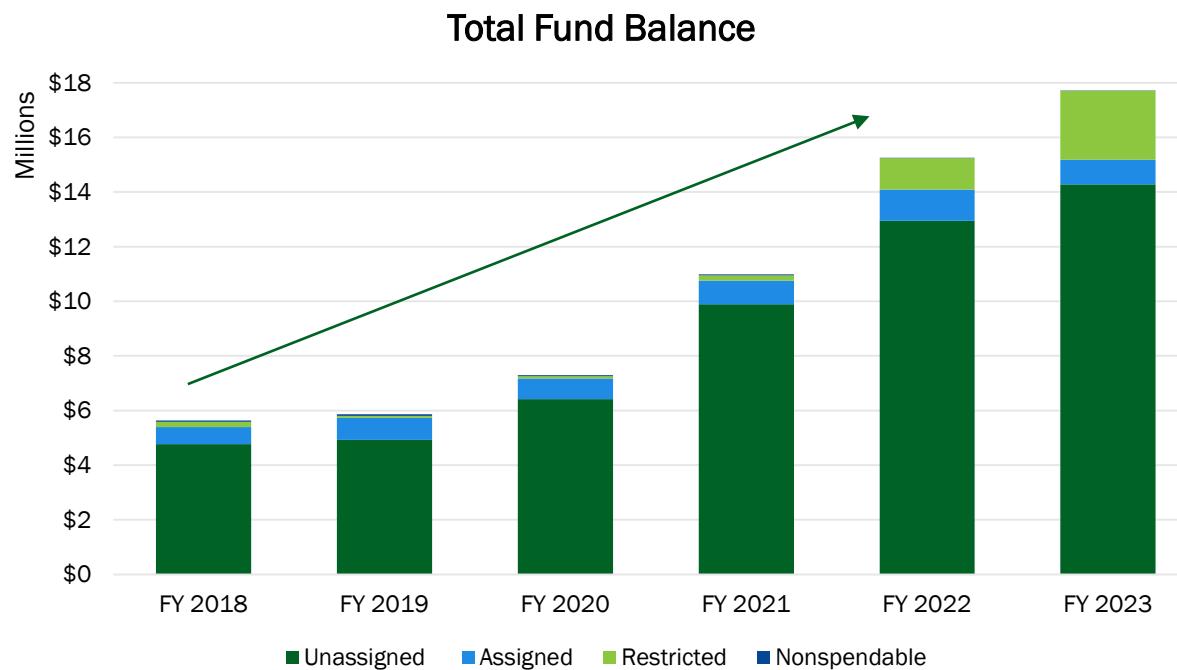


General Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
General Fund Revenues	\$ 22,856,745	\$ 24,470,479	\$ 26,075,504	\$ 30,255,515	\$ 31,633,703	\$ 34,530,769
General Fund Expenditures	(24,167,846)	(27,529,344)	(23,970,312)	(26,139,813)	(27,521,122)	(32,135,628)
Other Sources (Uses)	101,918	3,283,192	(670,073)	(306,633)	153,028	78,653
Change in Fund Balance	\$ (1,209,183)	\$ 224,327	\$ 1,435,119	\$ 3,809,069	\$ 4,265,609	\$ 2,473,794



Historical Trend Analysis | General Fund Balance

- Unassigned Fund Balance has steadily increased from FY 2018 to FY 2023.



Increase in restricted fund balance in FY 2022 and FY 2023 is mainly attributed to the collection of the additional 1% Sales Tax dedicated to benefit school construction.⁽¹⁾

Fund Balance	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Nonspendable	\$ 56,864	\$ 64,010	\$ 45,384	\$ 35,630	\$ 9,655	\$ 10,026
Restricted	185,679	64,434	83,611	183,494	1,143,662	2,527,185
Assigned	623,063	809,740	757,485	865,864	1,147,990	908,221
Unassigned	4,773,146	4,924,895	6,411,718	9,896,194	12,945,484	14,275,153
Total Fund Balances	\$ 5,638,752	\$ 5,863,079	\$ 7,298,198	\$ 10,981,182	\$ 15,246,791	\$ 17,720,585

DAVENPORT & COMPANY ⁽¹⁾ Began in January 1, 2022 (passed in a November 2020 referendum).

Source: FY 2018 – FY 2023 Audits.

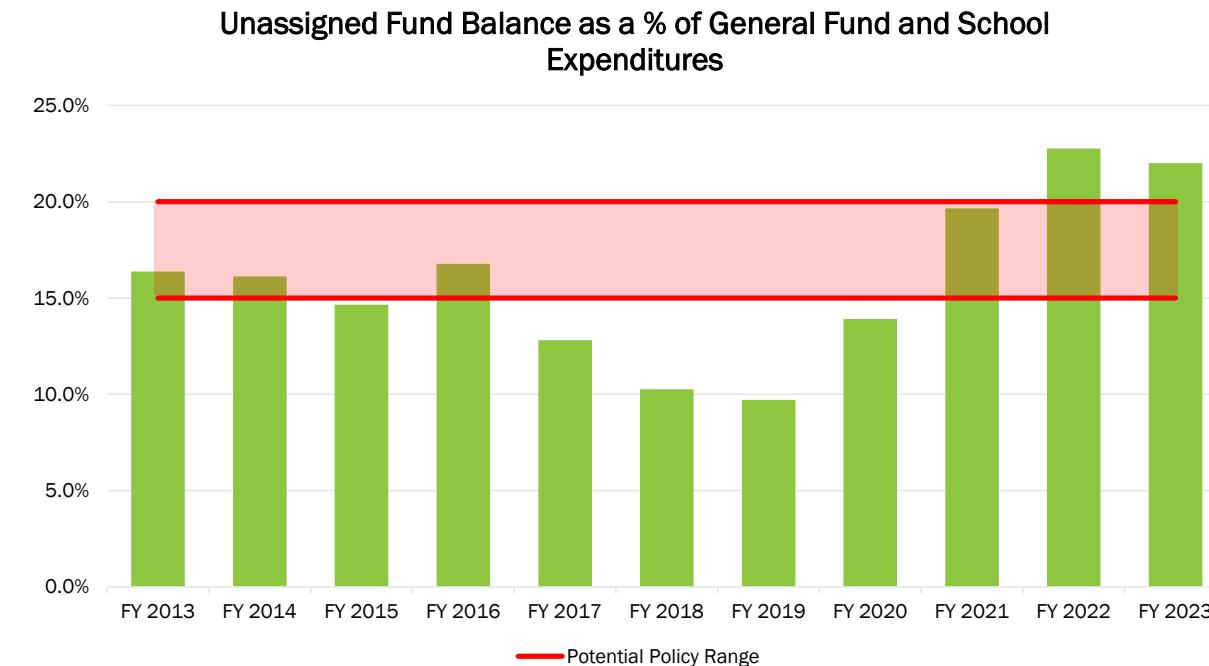


Why an Unassigned Fund Balance is Important

- Why is maintaining a healthy unassigned fund balance important?
 - Provides adequate month-to-month cash flow and eliminates the need for costly cash-flow borrowing.
 - Provides funds for emergency situations (i.e. natural disasters).
 - Provides funds for unforeseen expenditures or revenue shortfalls that occur during a fiscal year.
 - Allows for bond funded capital projects to begin prior to having borrowed funds on hand.
 - Helps mitigate/offset other financial weaknesses.
 - Provides comfort to potential lenders and the rating agencies as it relates to the County's financial strength / flexibility and thus allows the County to obtain competitive financing.



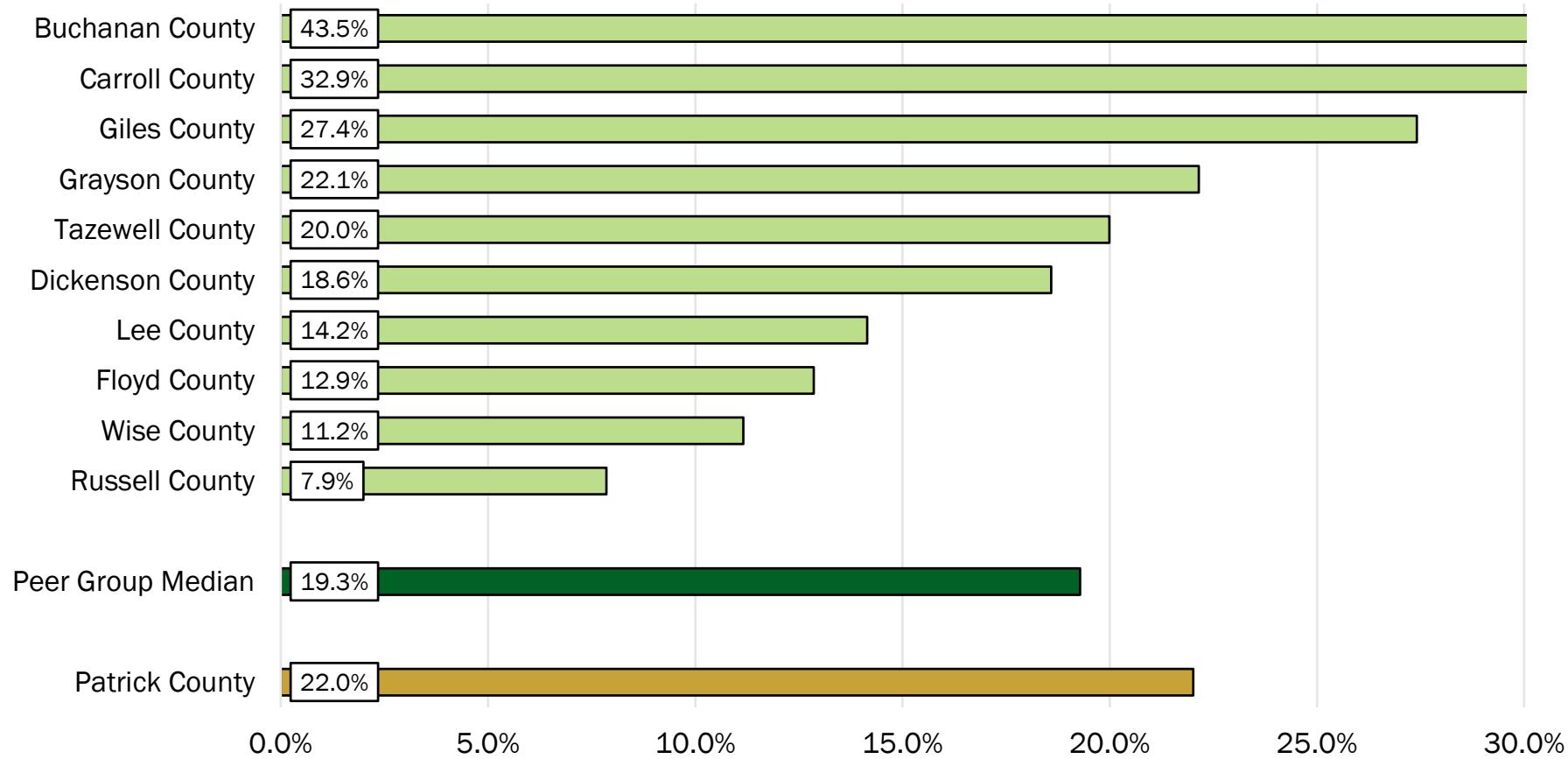
Unassigned Fund Balance Trends



Fiscal Year	General Fund Unassigned Fund Balance	General Fund Expenditures	School Expenditures Less Local Transfers	Total Expenditures	Unassigned Fund Balance as a % of Total Expenditures	Potential Policy Range
2014	\$ 6,971,591	\$ 20,345,834	\$ 22,921,948	\$ 43,267,782	16.1%	15% - 20%
2015	6,468,359	21,632,881	22,536,246	44,169,127	14.6%	15% - 20%
2016	7,357,511	21,675,547	22,185,638	43,861,185	16.8%	15% - 20%
2017	5,849,512	22,960,324	22,684,428	45,644,752	12.8%	15% - 20%
2018	4,773,146	24,167,846	22,344,667	46,512,513	10.3%	15% - 20%
2019	4,924,895	27,708,092	23,045,033	50,753,125	9.7%	15% - 20%
2020	6,411,718	23,970,312	22,107,010	46,077,322	13.9%	15% - 20%
2021	9,896,194	26,139,813	24,214,357	50,354,170	19.7%	15% - 20%
2022	12,945,484	27,521,122	29,361,753	56,882,875	22.8%	15% - 20%
2023	14,275,153	32,135,628	32,718,529	64,854,157	22.0%	15% - 20%



Unassigned Fund Balance vs. General Fund and School Expenditures



Note: General Fund and School Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less Local Government Revenue.

Source: Most recently available Locality Audits.



E. Debt Profile (General Fund)

Patrick County, Virginia

Key Takeaways

Debt Profile (General Fund)

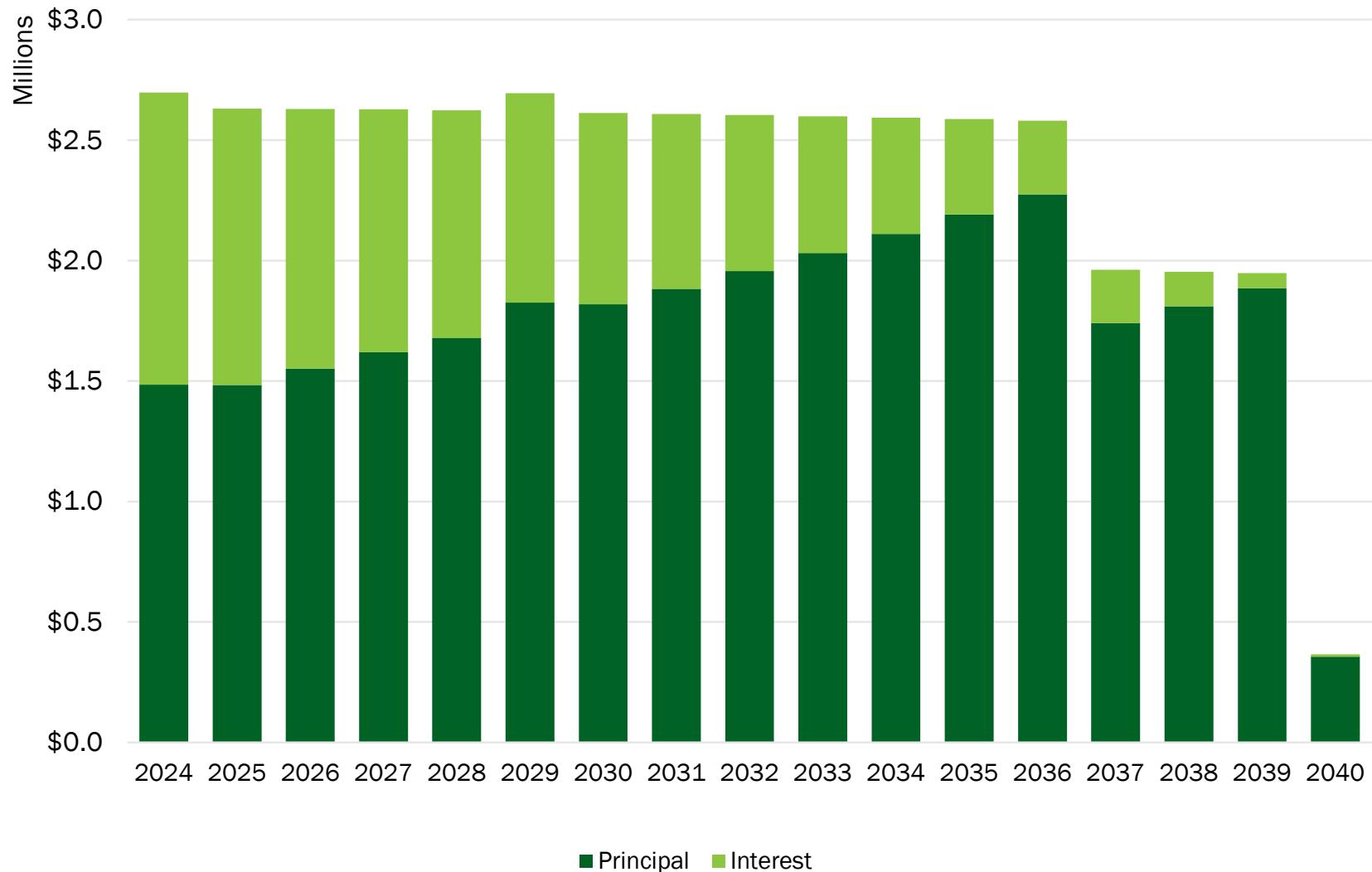


- The County has roughly \$29.7 million of outstanding Governmental Debt as of the start of FY 2024.
- The County has strong ratios in terms of absolute debt metrics.
- Davenport recommends that the County consider formally adopting various debt policies that are considered “best-practice” amongst well-run local governments.



Existing Tax-Supported Debt Service

Tax-Supported Debt Service





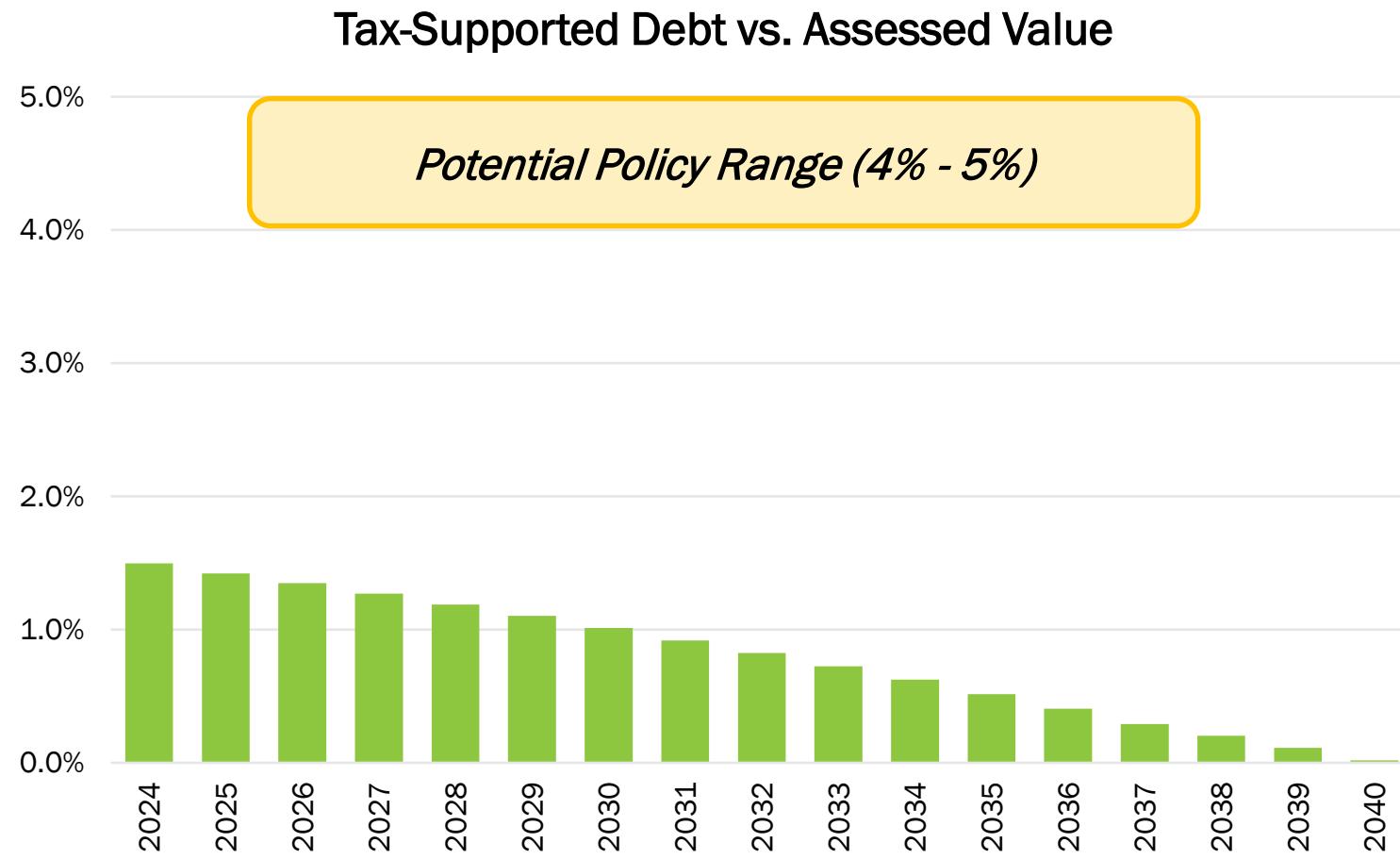
Key Debt Ratios

- While there are several different ratios/metrics that can be tracked to evaluate a government's debt profile, three are generally regarded industry-wide as **Key Debt Ratios**:
 1. **Debt vs. Assessed Value:**
 - The County currently **does not** have a policy regarding this ratio.
 - This is a Key Ratio that answers the ***“Can I Borrow This?”*** question. It is commonly used by the rating agencies as a measure of capacity. It represents a more realistic/practical limit than legal debt margin.
 2. **Debt Service vs. Expenditures**
 - The County currently **does not** have a policy regarding this ratio.
 - This is a Key Ratio because it measures **Budget Flexibility**, i.e., how much of the annual budget is being spent to pay for debt, and can show how much additional revenue needs to be raised to pay for new debt being considered.
 3. **10-Year Payout Ratio:**
 - The County currently **does not** have a policy regarding this ratio.
 - Measures the amount of principal to be repaid over the next 10 years relative to the total amount of outstanding debt.



Debt vs. Assessed Value

- As introduced previously, Debt vs. Assessed Value is often referred to as a “Key Ratio” because it measures **Debt Capacity**, or the ability to issue debt and remain below policy levels.
 - The County's Debt vs. Assessed Value is shown below.



Note: Assessed Value assumes 0% growth.

DAVENPORT & COMPANY

Patrick County, Virginia

Source: FY 2023 Audit, County Finance Department.

February 26, 2024

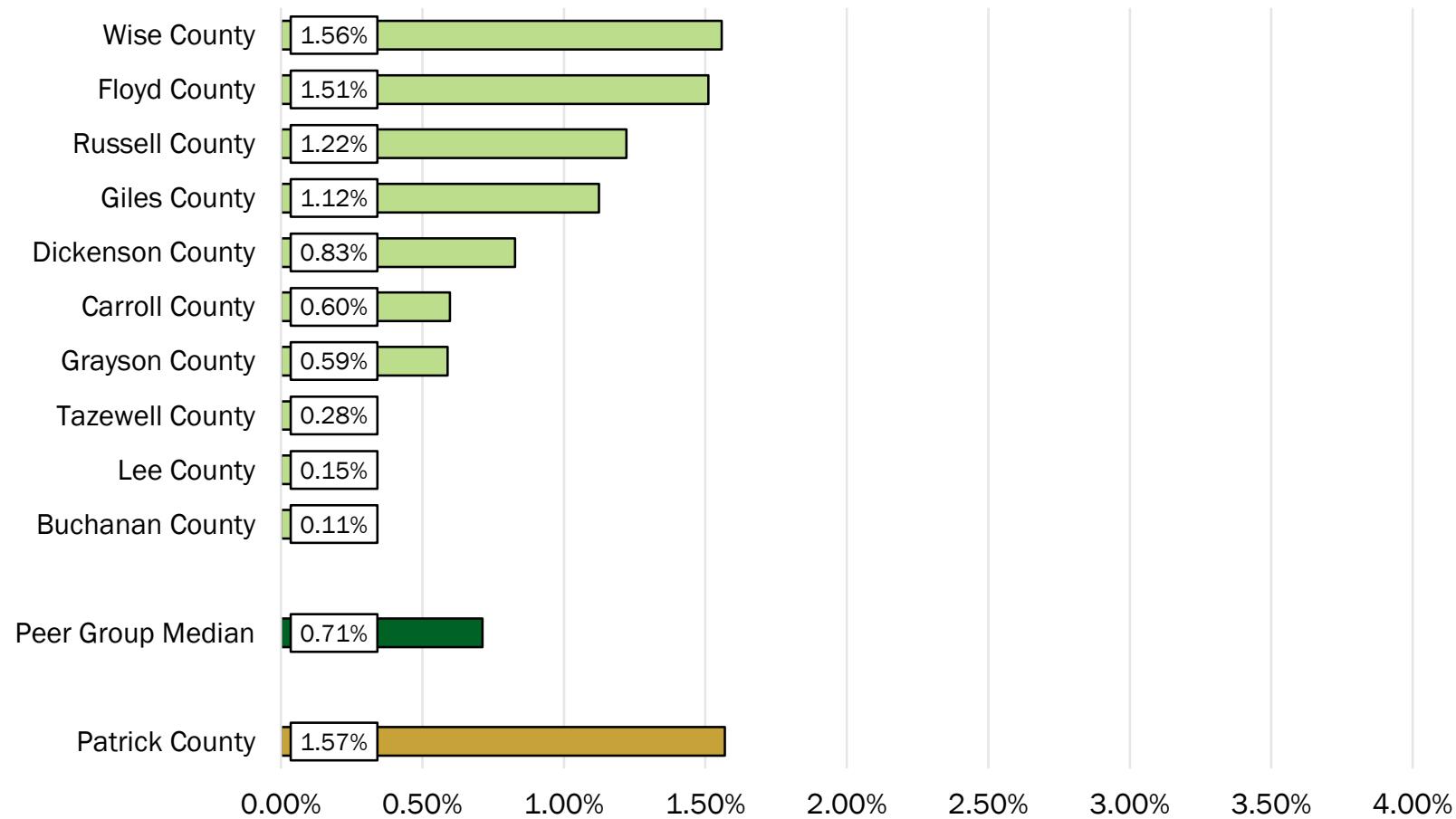
39



Tax-Supported Debt vs. Assessed Value | Comparative

- The County's Governmental Debt vs. Assessed Value is above the peer group median.

Tax-Supported Debt vs. Assessed Value

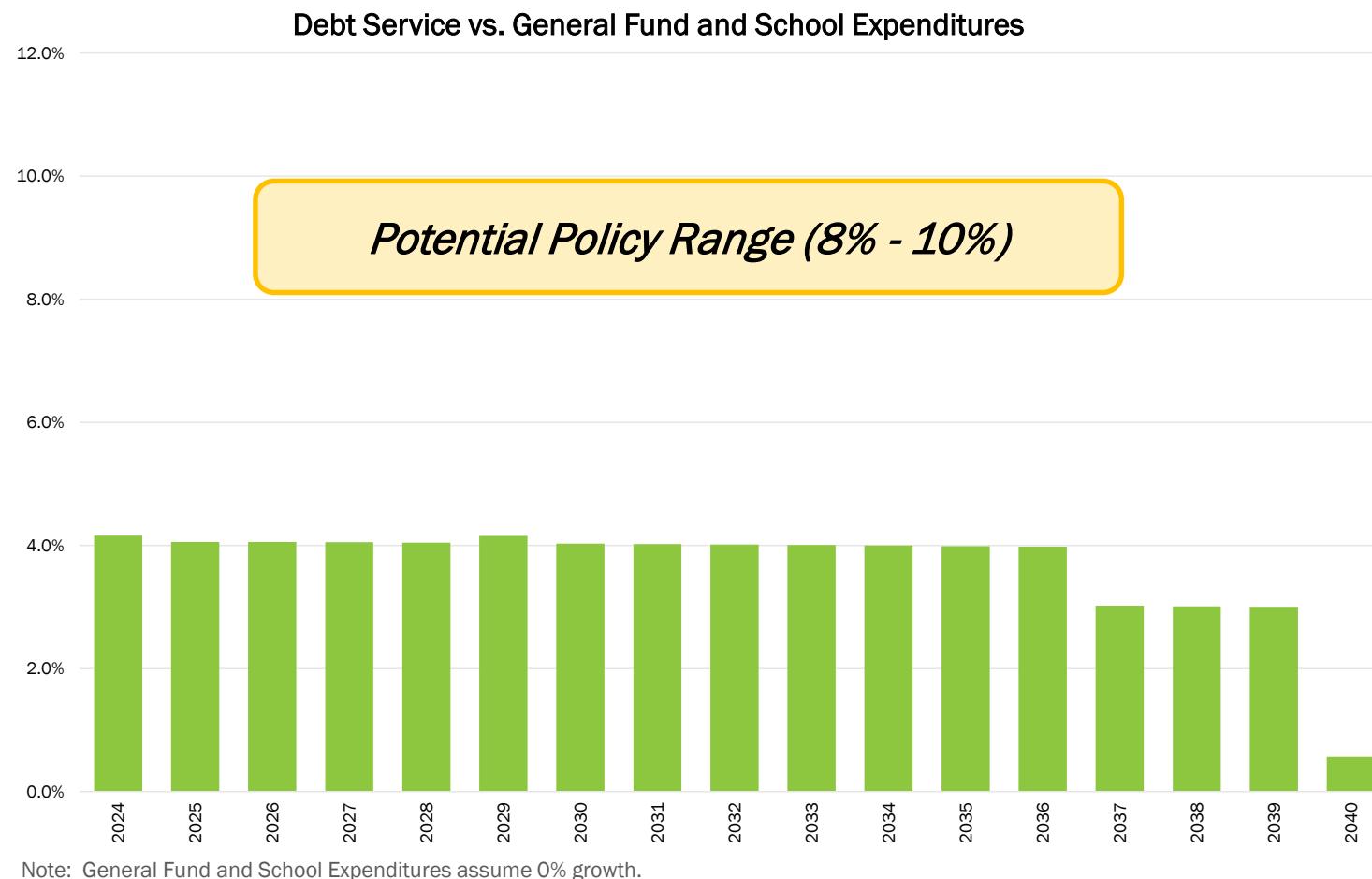


Source: Most recently available Locality Audits, County Finance Department.



Debt Service vs. General Fund and School Expenditures

- As introduced previously, Debt Service vs. Expenditures is often referred to as a “Key Ratio” because it measures **Budget Flexibility**.
- The County's Debt Service vs. General Fund and School Expenditures is shown below. We have outlined a potential policy range for the County's consideration.



Note: General Fund and School Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less Local Government Revenue.

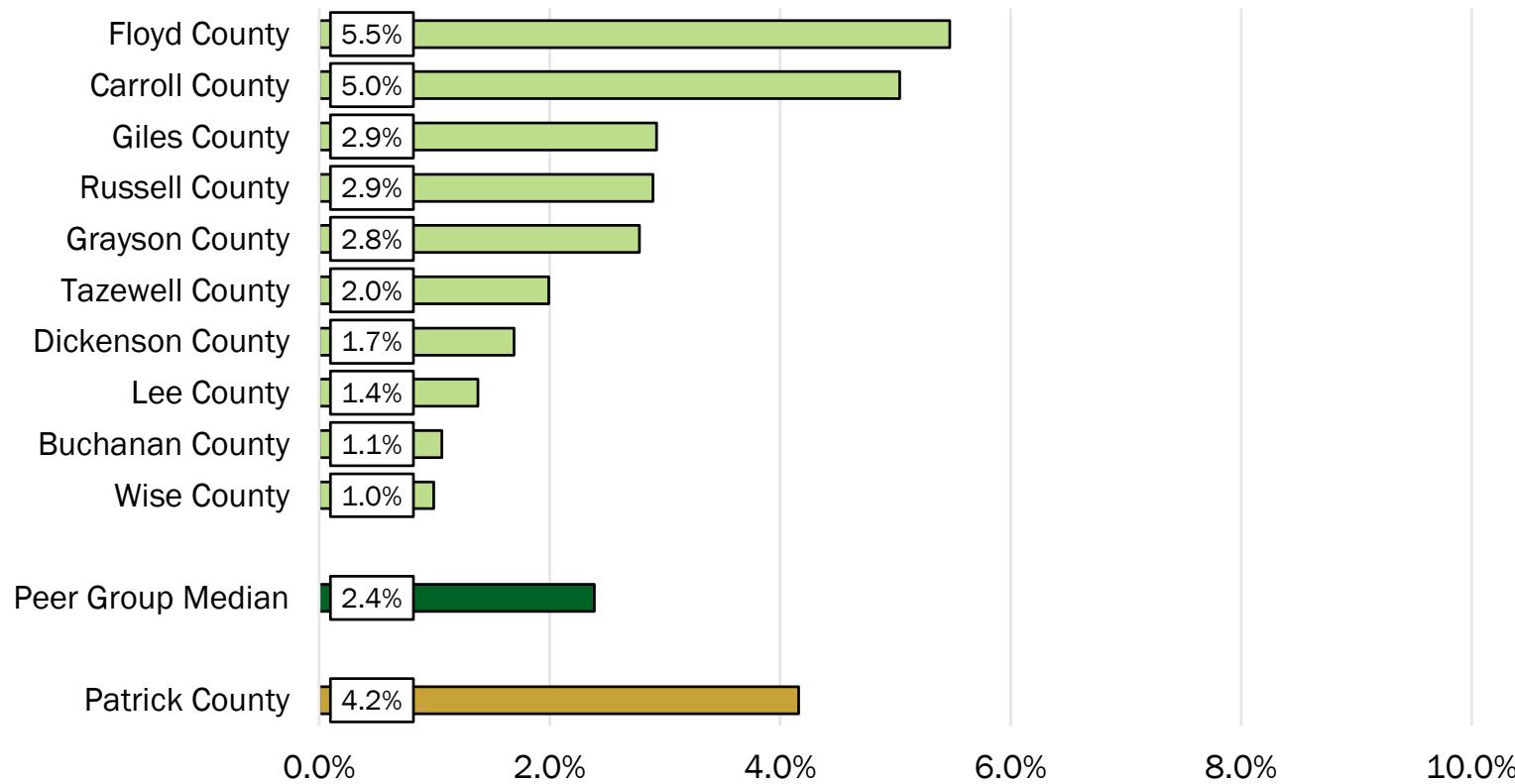
Source: FY 2023 Audit, County Finance Department.



Debt Service vs. GF and School Expenditures | Comparative

- The County's Debt Service vs. General Fund and School Expenditures is above the peer group.

Debt Service vs. General Fund and School Expenditures



Note: General Fund and School Expenditures are calculated by General Fund Expenditures plus School Operating Expenditures less Local Government Revenue.

Source: Locality Audits, County Finance Department.



F. Public Service Authority (Water and Sewer Fund)

Patrick County, Virginia



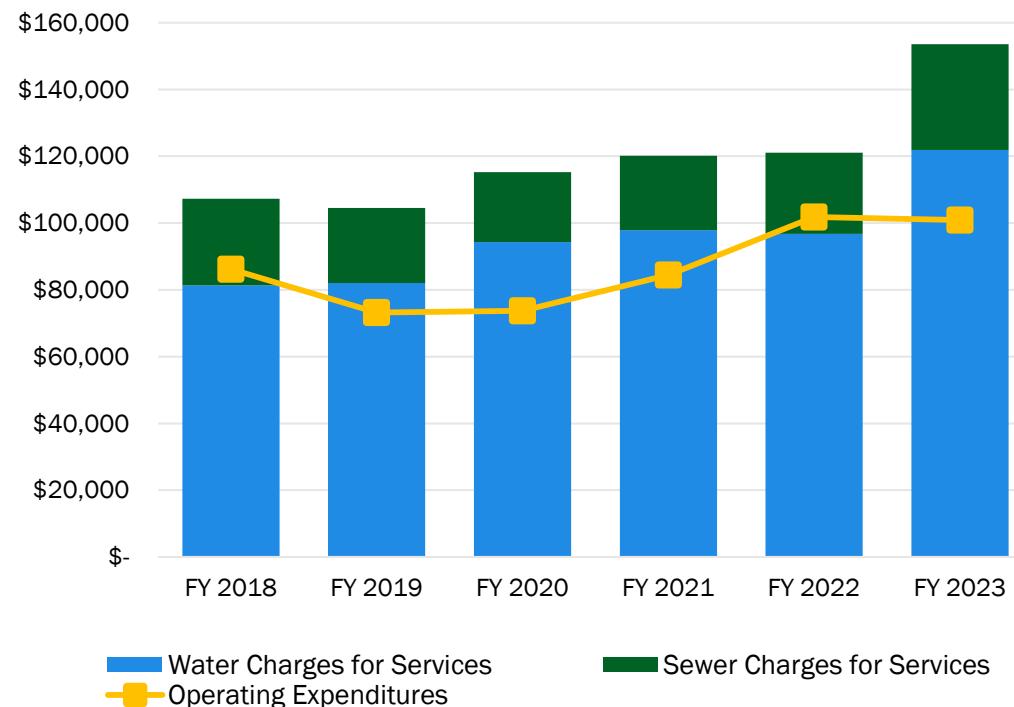
Public Service Authority (Water & Sewer Fund) Observations

- Operating Revenues have grown annually by roughly 8% over the last five years.
- Operating Expenditures have grown annually by roughly 6.6% over the last five years.
- Reserve levels have increased substantially in recent years but are still relatively modest in terms of actual dollars.
- The County's Water and Sewer Fund is currently not self-supporting (i.e. reliant on annual outside funding).
 - Several operating expenditures are paid for by the County's General Fund. In addition, outstanding debt allocated to the Water and Sewer Fund is paid for by the County's General Fund and is captured within the County's outstanding debt.



Historical Revenues & Operating Expenditures

Historical Revenues & Expenditures



Water and Sewer Fund Revenues & Operating Exp.	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
Revenues							
Water Charges for Services	\$ 81,324	\$ 82,005	\$ 94,324	\$ 97,915	\$ 96,751	\$ 121,866	
Sewer Charges for Services	\$ 25,937	\$ 22,554	\$ 20,911	\$ 22,250	\$ 24,332	\$ 31,714	5-Yr Avg.
A Operating Revenues	\$ 107,261	\$ 104,559	\$ 115,235	\$ 120,165	\$ 121,083	\$ 153,580	8.0%
	Growth N/A	-2.5%	10.2%	4.3%	0.8%	26.8%	
B Operating Expenditures ⁽¹⁾	\$ 86,150	\$ 73,190	\$ 73,738	\$ 84,420	\$ 101,811	\$ 100,921	6.6%
	Growth N/A	-15.0%	0.7%	14.5%	20.6%	-0.9%	
A-B=C Net Income	\$ 21,111	\$ 31,369	\$ 41,497	\$ 35,745	\$ 19,272	\$ 52,659	

(1) Operating Expenditures exclude depreciation.



Public Service Authority (Water and Sewer Fund) Policy

- The County should consider adopting the following key critical financial policy related to the Water and Sewer Fund:

Days Cash on Hand:

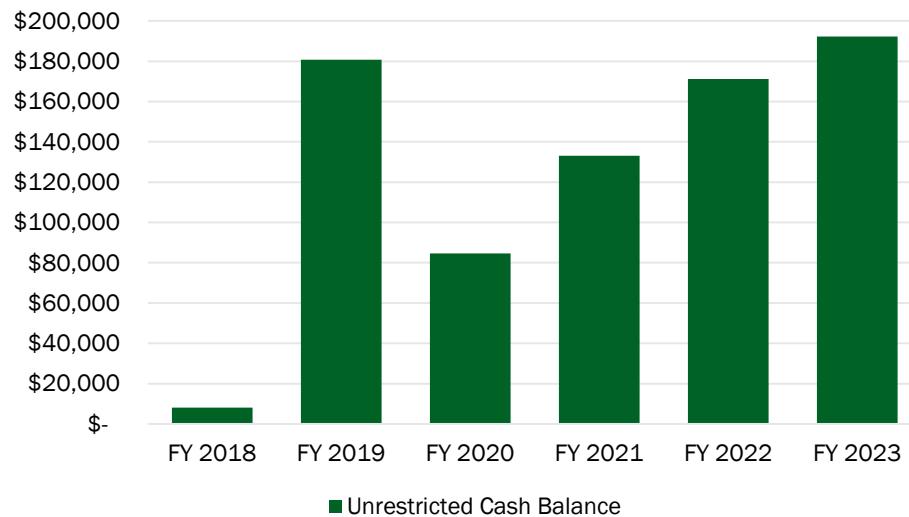
- Maintain at least 300 Days Cash on Hand.
- This policy is a measurement of the Water & Sewer Fund's cash reserves in proportion to operating expenses. 300 Days Cash on Hand translates to roughly \$83K based upon FY 2023 Audited numbers.

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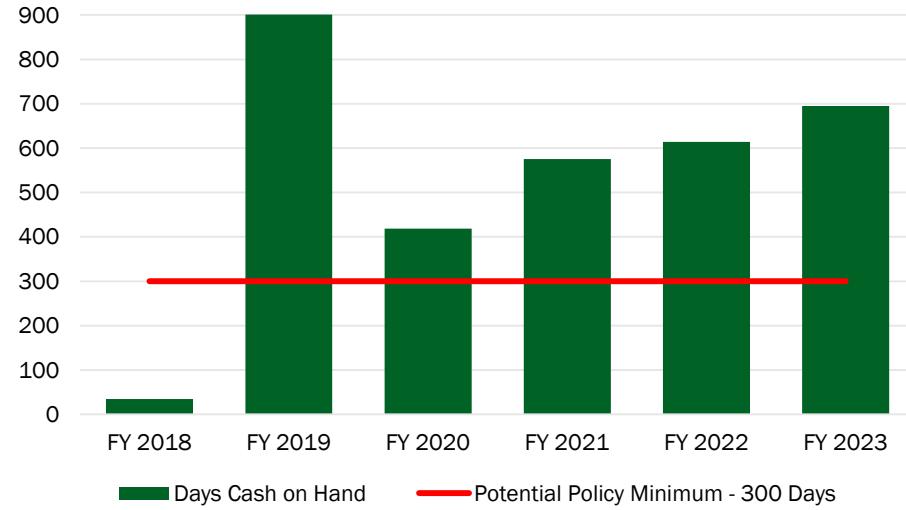


Selected Historical Financial Metrics

Unrestricted Cash Balance



Days Cash on Hand



Select Water & Sewer Utility System Financial Metrics	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Ending Unrestricted Cash Balance	\$ 8,136	\$ 180,680	\$ 84,617	\$ 133,053	\$ 171,213	\$ 192,224
Days Cash on Hand	34	901	419	575	614	695
Potential Policy Minimum - 300 Days	300	300	300	300	300	300



G. General Fund – Capital Funding Analysis

Patrick County, Virginia



Capital Funding Analysis – Overview

- The analysis herein assesses the County's ability to incur additional debt by evaluating the impact borrowings may have on key financial metrics as well as any required additional revenues (over budget).
- Currently, the County is contemplating a series of capital projects that could include a emergency management building, renovations on the current County Administration Building, and other long-term facility needs.
- The following scenarios have been analyzed to provide perspective on the County's ability to finance the different capital projects under a range of scenarios:

Scenario 1: \$5 million - (Estimated Emergency Management Building)

Scenario 2: \$10 million - (Est. Emergency Management Building) + (Est. County Admin Building Renovations)

Scenario 3: \$25 million - (Scenario 2, \$10 million) + (Long-term Facility Needs, \$15 million)



Capital Funding Analysis – Borrowing Overview

- For each Scenario described on the previous page, the following borrowing options have been analyzed to better understand the County's ability to afford new debt (details on available financing options provided in Appendix):
 - A – 20-year term at 5.0%; and
 - B – 30-year term at 5.5%.
- All scenarios assume the County maintains and budgets for its FY 2025 debt service payment (\$2,630,304) for future debt service payments.
- In order to quantify revenues required over and above the budget needed to finance the borrowings - the impact/value associated with an increase of 1 cent in the Real Estate Tax Rate (\$167,069) will be used as a benchmark.



Capital Funding Scenarios – Case A (5.0% - 20 Years)

- The estimates below do not incorporate any grant revenues or additional funding sources outside the cost of borrowing:

	Scenario 1	Scenario 2	Scenario 3
Project Size	\$5 million	\$10 million	\$25 million
Estimated Interest Rate	5.00%		
Loan Structure	20 Year Level Debt Service		
Final Maturity / Term	FY 2045		
Approximate Avg. Annual Payment	\$413 Thousand	\$826 Thousand	\$2 Million
Real Estate Tax Rate Equivalent Impact	2.5¢	5.0¢	12.5¢
(Max) Debt Service vs. Expenditures	4.42% (FY 2026)	5.02% (FY 2026)	6.77% (FY 2026)
(Max) Outstanding Debt vs. Assessed Value	1.65% (FY 2025)	1.90% (FY 2025)	2.65% (FY 2025)



Capital Funding Scenarios – Case B (5.5% - 30 Years)

- The estimates below do not incorporate any grant revenues or additional funding sources outside the cost of borrowing:

	Scenario 1	Scenario 2	Scenario 3
Project Size	\$5 million	\$10 million	\$25 million
Estimated Interest Rate	5.50%		
Loan Structure	30 Year Level Debt Service		
Final Maturity / Term	FY 2054		
Approximate Avg. Annual Payment	\$354 Thousand	\$708 Thousand	\$1.7 Million
Real Estate Tax Rate Equivalent Impact	2.0¢	4.0¢	10.5¢
(Max) Debt Service vs. Expenditures	4.34% (FY 2026)	4.85% (FY 2026)	6.35% (FY 2026)
(Max) Outstanding Debt vs. Assessed Value	1.65% (FY 2025)	1.90% (FY 2025)	2.65% (FY 2025)



Potential Funding Strategy (Interim Financing)

- Given that the County's identified CIP needs are in the earlier stages of discussion – the County may want to consider a flexible interim financing strategy that would allow the County to move forward with preliminary design, land acquisition, site work, etc. without needing to pull valuable Fund Balance from the County's reserves.
- Putting in place an interim financing in the range of \$5 - 10 million would allow the County to work through the process of design, engineering, construction, bidding etc. without having to draw down on its valuable/important fund balance.
- Furthermore, as well as having a much smaller immediate budgetary impact, this strategy will allow the County more time to plan for the ultimate permanent financing takeout and incrementally identify revenues for debt service.
- Davenport prepared a series of interim financing scenarios to consider on the following page.



Potential Funding Strategy (Interim Financing cont.)

Potential Interim Financing – Estimated Payment Schedule

	Scenario 1	Scenario 2
Amount Borrowed	\$ 5,000,000	\$ 10,000,000
Planning Interest Rate	4.50%	4.50%
Approximate Full-Year Interest Payment	\$ 225,000	\$ 450,000
Real Estate Tax Rate Equivalent	1.4¢	2.7¢



Appendix

A large, abstract graphic in the background is composed of numerous thin, light green lines that curve and overlap, creating a sense of depth and texture. It is positioned on the right side of the slide, partially covering the title area.

Patrick County, Virginia
General Supporting Material



Detailed General Fund Financials

General Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues:						
General Property Taxes	\$ 12,358,878	\$ 13,685,589	\$ 14,542,405	\$ 14,651,305	\$ 15,282,528	\$ 16,348,016
Other Local Taxes	2,580,028	2,630,959	2,785,240	3,577,053	5,323,716	5,266,173
Licenses, Permits, and Fees	80,507	68,349	72,788	88,880	112,163	119,548
Fines and Forfeitures	20,530	28,190	20,401	37,064	28,594	21,981
Use of Money and Property	44,076	51,894	47,465	25,930	33,799	489,440
Charges for Services	414,901	551,942	558,090	538,435	795,317	697,792
Miscellaneous	92,938	88,385	198,114	317,355	171,033	492,504
Recovered Costs	964,697	819,194	919,236	1,022,770	1,459,903	1,275,644
Total Revenues Less Intergovernmental	\$ 16,556,555	\$ 17,924,502	\$ 19,143,739	\$ 20,258,792	\$ 23,207,053	\$ 24,711,098
Intergovernmental Revenues	6,300,190	6,545,977	6,931,765	9,996,723	8,426,650	9,819,671
Total Revenues	\$ 22,856,745	\$ 24,470,479	\$ 26,075,504	\$ 30,255,515	\$ 31,633,703	\$ 34,530,769
Expenditures:						
General Government	\$ 1,440,861	\$ 1,441,172	\$ 1,722,099	\$ 1,672,637	\$ 1,661,445	\$ 2,000,302
Judicial Administration	1,049,636	1,139,437	1,249,062	1,269,756	1,247,700	1,415,337
Public Safety	7,740,086	7,536,155	7,795,372	8,551,024	8,327,673	9,933,893
Public Works	1,623,260	1,512,428	1,519,158	1,951,110	1,650,557	1,966,141
Health and Welfare	2,639,148	2,891,408	2,988,596	3,214,619	3,767,388	4,562,988
Education	5,669,531	4,691,554	4,767,759	4,550,396	6,300,931	7,331,168
Parks and Recreation	579,790	513,155	508,802	535,378	557,735	643,037
Community Development	1,028,313	927,193	872,151	1,348,752	1,116,995	1,390,238
Nondepartmental	-	-	-	264,006	21,000	-
Bond Issuance Costs	-	178,748	-	-	-	-
Principal Retirement	1,295,107	5,050,696	929,347	1,302,911	1,486,987	1,445,618
Interest and other fiscal charges	907,880	1,557,704	1,477,347	1,399,276	1,347,273	1,294,491
Expenditures Less Capital Projects	\$ 23,973,612	\$ 27,439,650	\$ 23,829,693	\$ 26,059,865	\$ 27,485,684	\$ 31,983,213
Capital Projects	194,234	268,442	140,619	79,948	35,438	152,415
Total Expenditures	\$ 24,167,846	\$ 27,708,092	\$ 23,970,312	\$ 26,139,813	\$ 27,521,122	\$ 32,135,628
Excess (Deficiency) of Revenues over under						
Expenditures	\$ (1,311,101)	\$ (3,237,613)	\$ 2,105,192	\$ 4,115,702	\$ 4,112,581	\$ 2,395,141
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ 150,000	\$ 4,278	\$ 1,027	\$ -
Transfers out	(250,402)	(3,409,060)	(820,073)	(310,911)	-	(87,648)
Issuance of Leases	352,320	6,871,000	-	-	152,001	166,301
Total Other Financing Sources (Uses)	\$ 101,918	\$ 3,461,940	\$ (670,073)	\$ (306,633)	\$ 153,028	\$ 78,653
Net Change in Fund Balance:	\$ (1,209,183)	\$ 224,327	\$ 1,435,119	\$ 3,809,069	\$ 4,265,609	\$ 2,473,794
Fund Balance - Beginning	\$ 6,847,935	\$ 5,638,752	\$ 5,863,079	\$ 7,172,113	\$ 10,981,182	\$ 15,246,791
Fund Balance - Ending	\$ 5,638,752	\$ 5,863,079	\$ 7,298,198	\$ 10,981,182	\$ 15,246,791	\$ 17,720,585



Total Existing Tax-Supported Debt

Total Tax-Supported Debt					
FY	Principal	Interest	Total	10-Year Payout Ratio	
Total	\$ 29,700,167	\$ 10,617,058	\$ 40,317,225		
2024	\$ 1,484,877	\$ 1,212,466	\$ 2,697,343	58.4%	
2025	1,483,294	1,147,010	2,630,304	63.7%	
2026	1,551,996	1,077,898	2,629,894	69.8%	
2027	1,619,000	1,009,297	2,628,297	77.0%	
2028	1,680,000	943,496	2,623,496	82.8%	
2029	1,826,000	868,674	2,694,674	89.8%	
2030	1,818,000	795,215	2,613,215	98.2%	
2031	1,883,000	725,689	2,608,689	100.0%	
2032	1,956,000	647,933	2,603,933	100.0%	
2033	2,032,000	567,152	2,599,152	100.0%	
2034	2,110,000	483,223	2,593,223	100.0%	
2035	2,191,000	396,043	2,587,043	100.0%	
2036	2,275,000	305,520	2,580,520	100.0%	
2037	1,740,000	221,233	1,961,233	100.0%	
2038	1,810,000	143,373	1,953,373	100.0%	
2039	1,885,000	62,340	1,947,340	100.0%	
2040	355,000	10,497	365,497	100.0%	



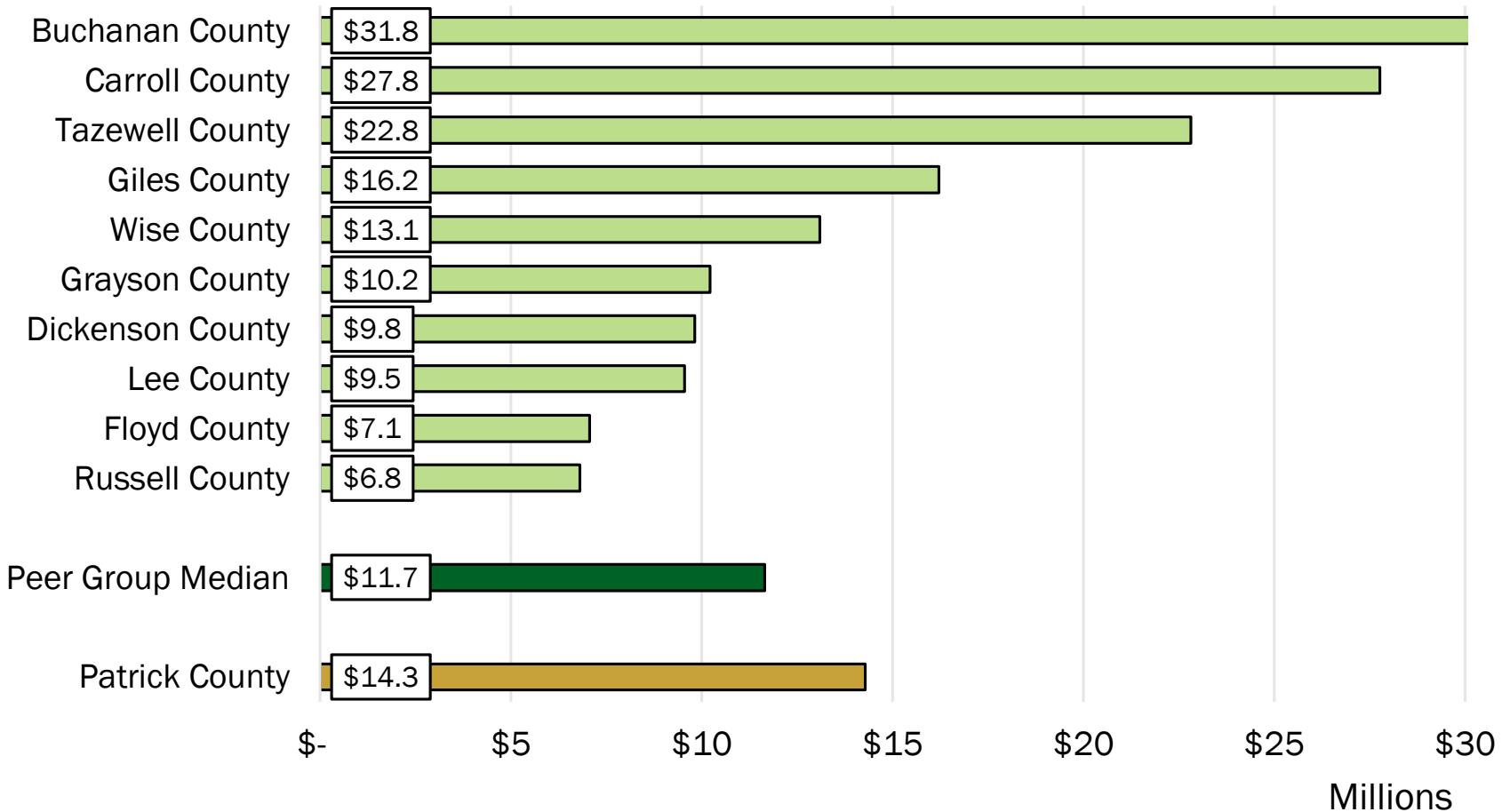
Water and Sewer Fund Historical Financials

Water and Sewer Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Operating Revenues						
Water Charges for Services	\$ 81,324	\$ 82,005	\$ 94,324	\$ 97,915	\$ 96,751	\$ 121,866
Sewer Charges for Services	25,937	22,554	20,911	22,250	24,332	31,714
Insurance Premiums	-	-	-	-	-	-
Total Operating Revenues	\$ 107,261	\$ 104,559	\$ 115,235	\$ 120,165	\$ 121,083	\$ 153,580
Operating Expenses						
Administration	\$ 20,783	\$ 17,525	\$ 19,177	\$ 22,781	\$ 26,639	\$ 30,654
Purchase of Water	39,983	36,366	36,700	41,347	45,622	45,780
Purchase of Sewer	18,180	13,853	13,454	11,358	13,371	12,615
Pump Station Maintenance	7,204	5,446	4,407	8,934	16,179	11,872
Depreciation	-	-	-	-	-	-
Insurance Claims and Expenses	-	-	-	-	-	-
Total Operating Expenses	\$ 86,150	\$ 73,190	\$ 73,738	\$ 84,420	\$ 101,811	\$ 100,921
Operating Income (Loss)	\$ 21,111	\$ 31,369	\$ 41,497	\$ 35,745	\$ 19,272	\$ 52,659
Nonoperating Revenues						
Interest Income	\$ 568	\$ 708	\$ -	\$ -	\$ -	\$ -
Other	-	600	17,652	-	3,263	-
Transfers In	181,247	3,409,060	-	-	-	-
Transfers (Out)	-	(149,969)	-	-	-	(20,000)
Total Nonoperating Revenues	\$ 181,815	\$ 3,410,368	\$ (132,317)	\$ -	\$ 3,263	\$ (20,000)
Net Revenue Available for Debt Service	\$ 202,926	\$ 3,441,737	\$ (90,820)	\$ 35,745	\$ 22,535	\$ 32,659
Debt Service						
Principal	\$ 49,227	\$ 3,281,032	\$ -	\$ -	\$ -	\$ -
Interest	132,320	143,672	-	-	-	-
Total Debt Service	\$ 181,547	\$ 3,424,704	\$ -	\$ -	\$ -	\$ -
Surplus (Deficit)	\$ 384,473	\$ 6,866,441	\$ (90,820)	\$ 35,745	\$ 22,535	\$ 32,659
Unrestricted Cash	\$ 8,136	\$ 180,680	\$ 84,617	\$ 133,053	\$ 171,213	\$ 192,224
Days Cash on Hand w/o Nonoperating Revs	34	901	419	575	614	695
Debt Service Coverage w/o Nonoperating Revs	0.12	0.01	N/A	N/A	N/A	N/A
Debt Service Coverage w/ Nonoperating Revs	1.12	1.00	N/A	N/A	N/A	N/A



Unassigned Fund Balance | Comparative

Unassigned Fund Balance





Existing Tax-Supported Debt Service

Principal Outstanding as of 6/30/2023				
Type	Original Amount	Interest Rate	Final Maturity (FY)	Amount Outstanding
VPSA Series 2004B	\$1,630,018	4.10-5.60%	2025	\$201,979
VPSA Series 2005D	1,787,287	4.60-5.10%	2026	330,188
VPSA G.O. Refunding. Series 2015	22,480,000	4.05-5.05%	2039	18,550,000
Literary Loan, Series 2009	1,425,000	2.00%	2029	450,000
VRA Series 2009B	6,295,000	4.60-5.10%	2040	4,095,000
Series 2019A, Lease Revenue	6,084,000	3.14%	2040	5,839,000
Series 2019B, Lease Revenue	787,000	3.50%	2024	234,000
			Total	\$29,700,167



Incremental Revenue Impact

- The table below shows the approximate value of an incremental additional unit on select County revenue sources (based on the FY 2024 Budget).

Tax Revenue	FY 2024 Budget	Current Tax Rate	Marginal Unit	Approximate Value of a 1-Unit Tax Increase
Real Estate Tax	\$12,196,010	\$0.73/\$100 of AV	\$0.01	\$167,069
Meals Tax	\$401,200	4.00%	1.00%	\$100,300
Transient Occupancy Tax	\$600,000	5.00%	1.00%	\$140,000



Capital Funding - Case A (\$5 million, 20 Years)

Debt Service vs. Expenditures



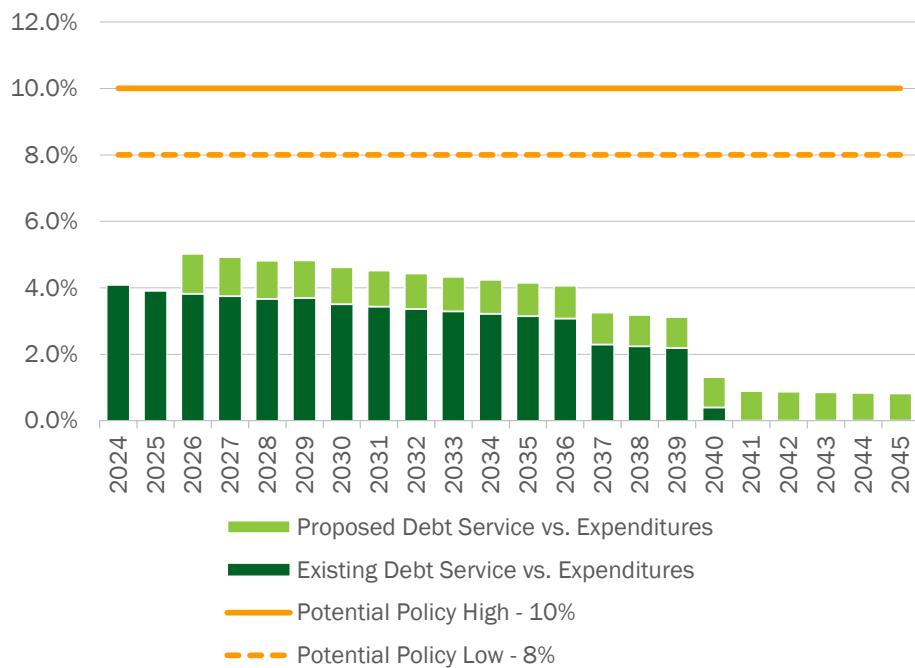
Debt vs. Assessed Value





Capital Funding - Case A (\$10 million, 20 Years)

Debt Service vs. Expenditures



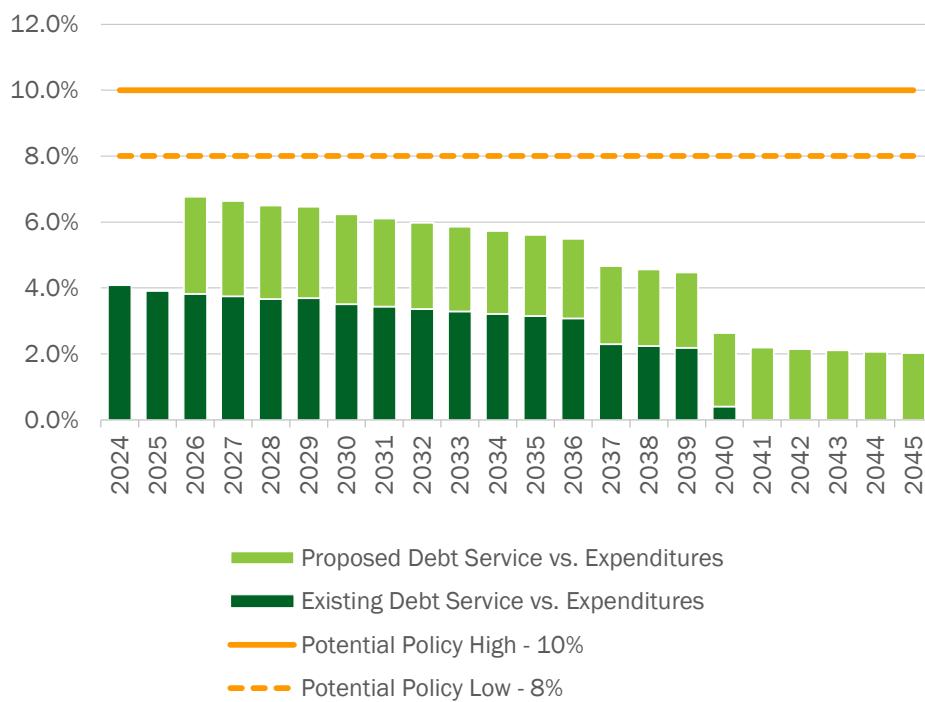
Debt vs. Assessed Value



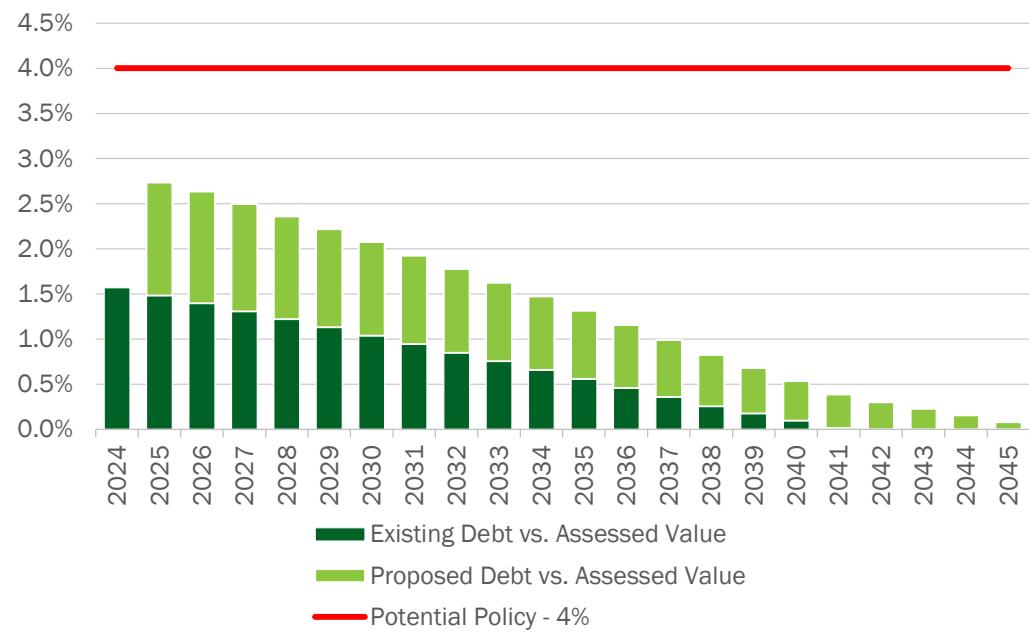


Capital Funding - Case A (\$25 million, 20 Years)

Debt Service vs. Expenditures



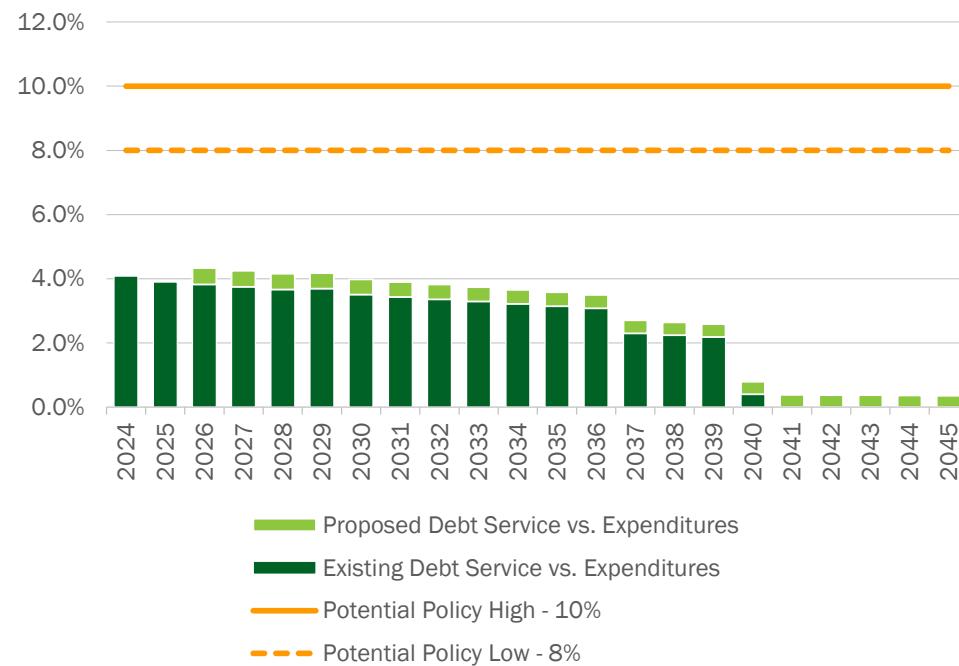
Debt vs. Assessed Value





Capital Funding - Case B (\$5 million, 30 Years)

Debt Service vs. Expenditures



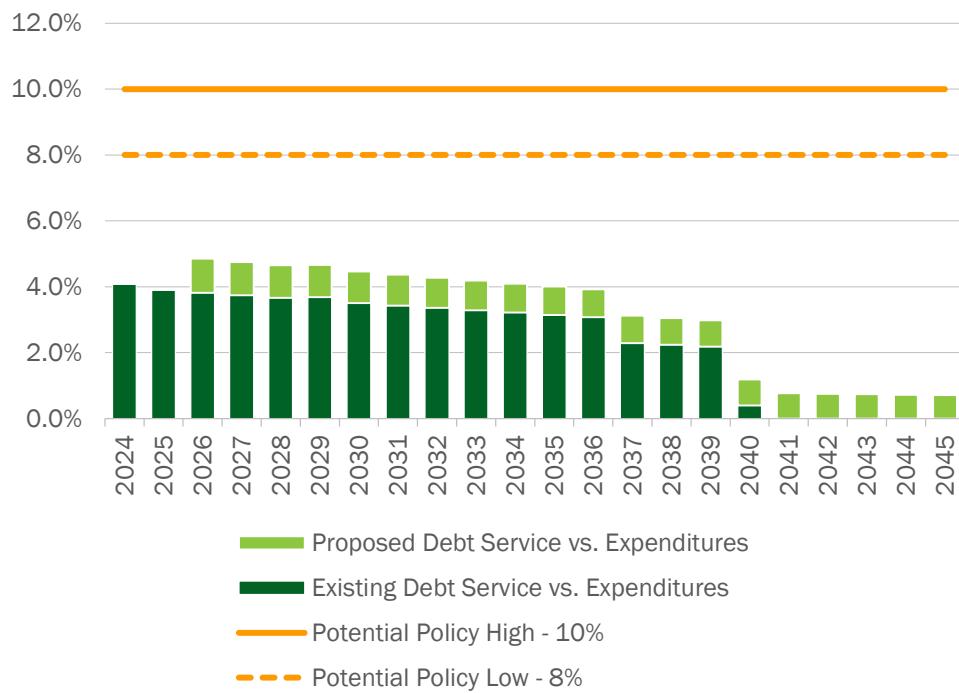
Debt vs. Assessed Value





Capital Funding - Case B (\$10 million, 30 Years)

Debt Service vs. Expenditures



Debt vs. Assessed Value





Capital Funding - Case B (\$25 million, 30 Years)

Debt Service vs. Expenditures



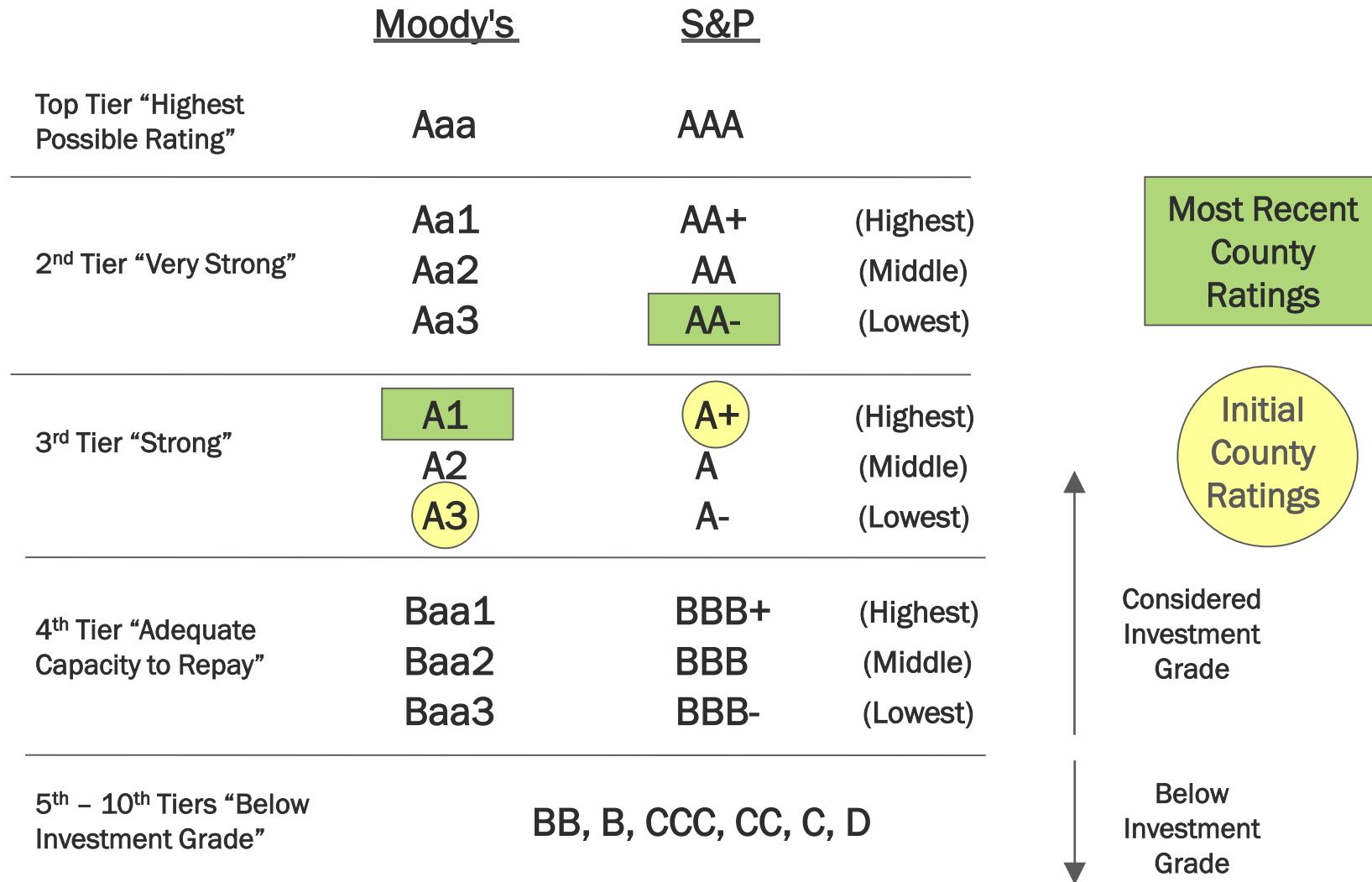
Debt vs. Assessed Value





Credit Rating Scale

- The County has historically maintained a credit rating of 'A1' and 'AA-' from Moody's and S&P respectively.





What are the Key Drivers to a Credit Rating? | Moody's

Moody's Quantitative Scoring Factors & Methodology Update

Rating Methodology Scorecard	
1. Economy	
Resident Income	10%
Full Value Per Capita	10%
Economic Growth	10%
Subtotal	30%
2. Financial Performance	
Available Fund Balance Ratio	20%
Liquidity Ratio	10%
(All Governmental and Enterprise Funds)	
Subtotal	30%
3. Institutional Framework	
Institutional Framework	10%
Subtotal	10%
4. Leverage	
Long-term Liabilities Ratio	20%
Fixed-Costs Ratio	10%
(All Governmental and Enterprise Funds)	
Subtotal	30%
Grand Total	100%

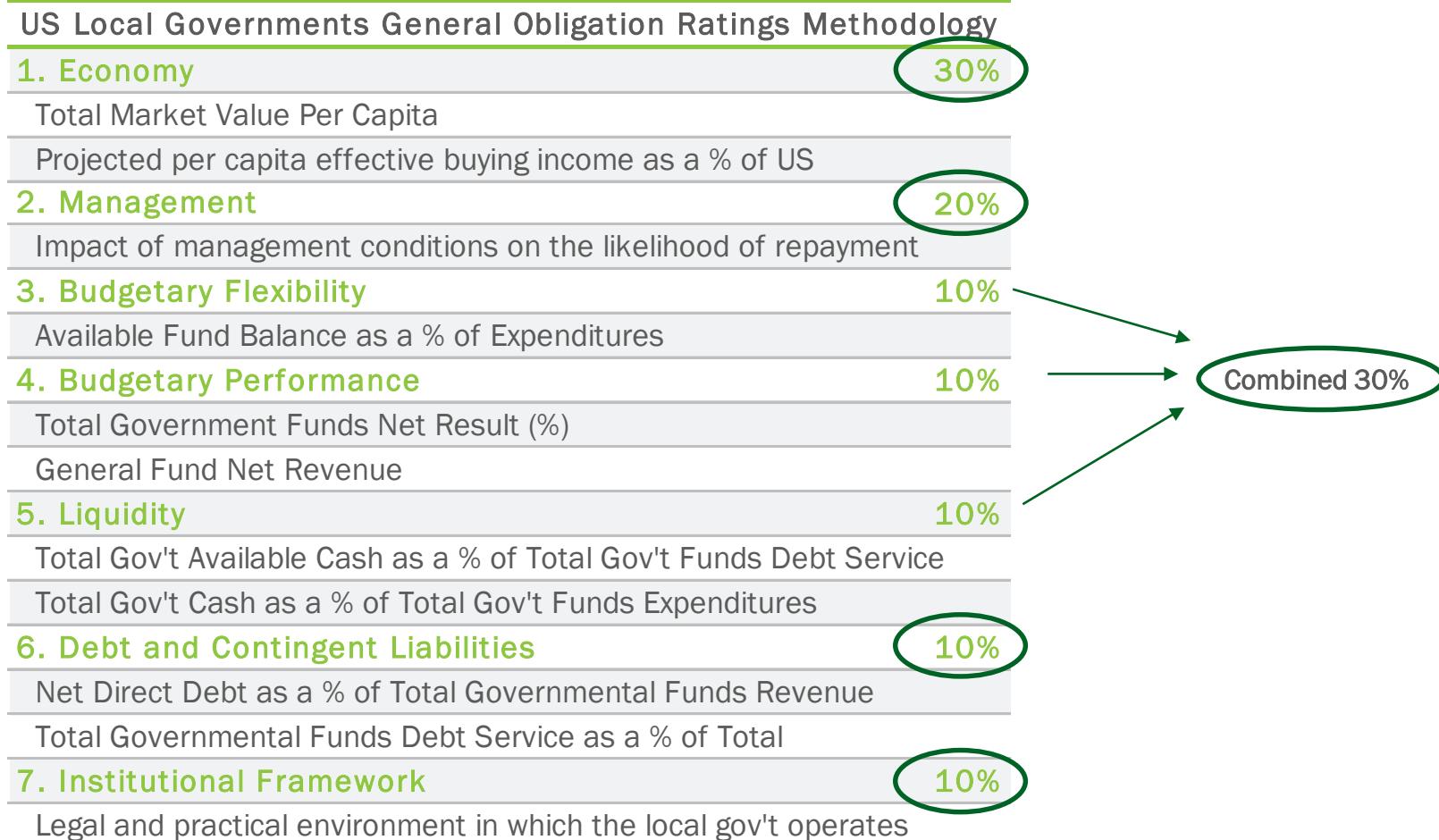
- On November 2, 2022, Moody's updated its US Local Governments General Obligation Debt methodology and assumptions. Under the new methodology, an initial indicative rating is calculated from a weighted average of four key factors. Below the line qualitative adjustments can be made after the initial indicative rating.



What are the Key Drivers to a Credit Rating? | S&P

Standard & Poor's Quantitative Scoring Factors

- Standard & Poor's US Local Governments General Obligation Ratings methodology and assumptions utilizes an initial indicative rating is calculated from a weighted average of seven key factors.
- Up to a one-notch adjustment can be made from the indicative rating based on other qualitative factors.





Municipal Advisor Disclaimer

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

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