Goochland County

Tuckahoe Creek Service District Initiatives
and
Refunding of 2002 Water and Sewer Revenue Bonds

Presentation for the Board of Supervisors and Citizens

September 24, 2012

Tuckahoe Creek Service District

- Board of Supervisors comprehensive approach
  - Increase Revenue to the District
  - Enhance and bring Economic Development
  - Address the VRA bonds

TCSD – Increasing Revenues

- Boundary Adjustments
  - Considering legislative request to enable localities to adjust boundaries in a more efficient manner
  - Consideration of an addition to the district underway now
- Additional agreements for water usage
  - Consideration of agreements underway now

Economic Development

- Economic Development Strategic Plan – Fall 2011
- New Director of Economic Development – April 2012
- Resources dedicated to an Economic Development website – plan to go “live” in early November
- Spring Economic Development Forum is planned; several work sessions will be held between now and then with the EDA, Planning Commission, and School Board
- First of such Economic Development work sessions is being scheduled for November – date TBD

Economic Development

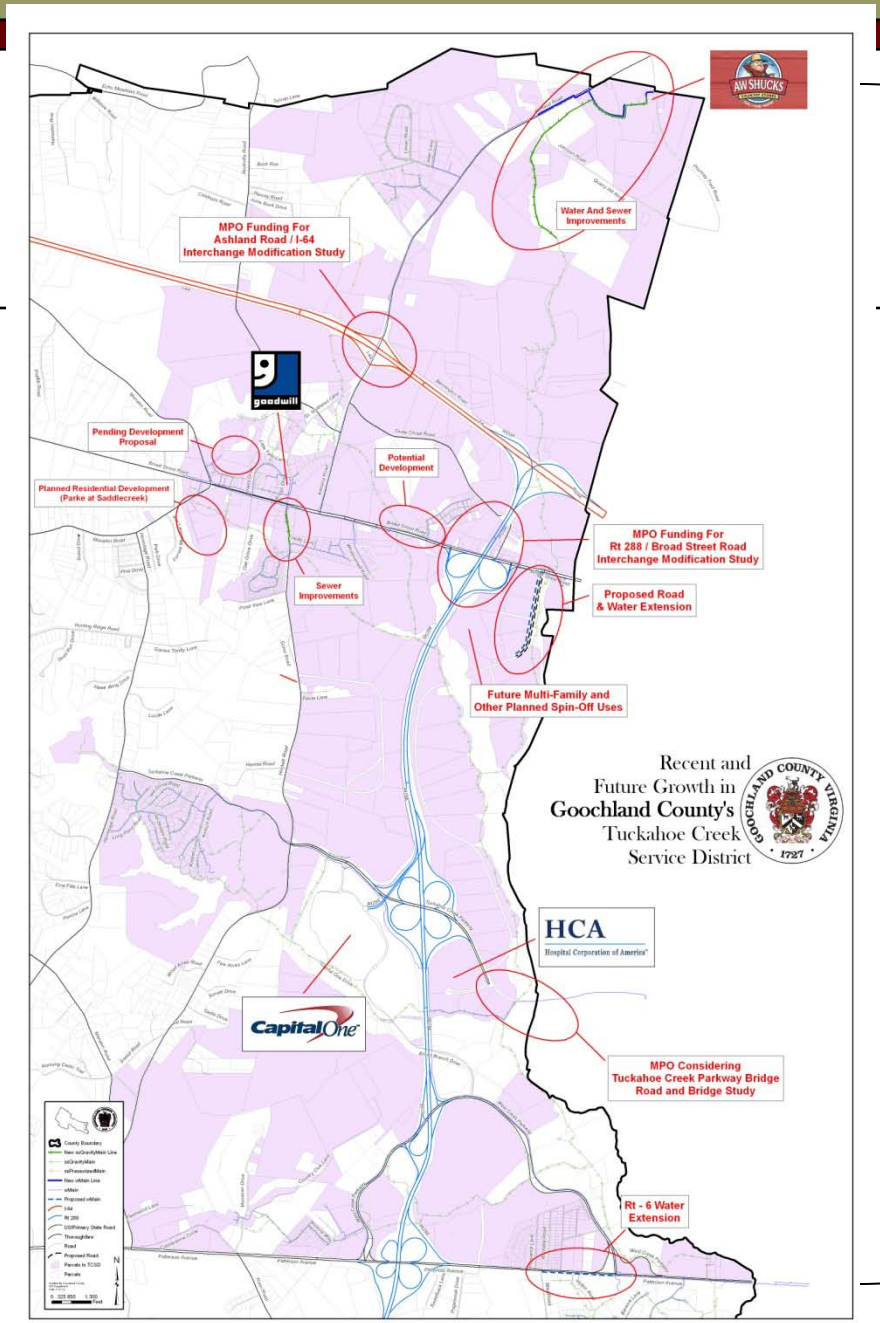
- Cultivating strong working relationships with landowners in the TCSD, including West Creek Partners and others
- Cultivating relationships with site selectors, brokers, Virginia Economic Development Partnership and our own businesses
- Focus on business retention, expansion and attraction – all 3 components equally important – business visitation program, etc.

Economic Development

Reference Map

Strategic location!!

Things are happening!



Private and Public Investment Activity is Occurring throughout the District!

Economic Development: Private Investments

- Aw Shucks complex – $1.6 million tax base addition
- HCA medical complex – $4.3 million addition
- Multi-family development – $36 million project and 80,000 square foot office building just announced
- Capital One – supporting TCSD tax base with $43 million in improvements
- All create spin-off!

Economic Development: New Public Infrastructure

- Hockett Road Sewer extension – County investment of about $250K, added customers and new opportunities
- Aw Shucks development – added $1.5 million in water and sewer infrastructure, with $250K reimbursed by the County through its Economic Development Authority
- Route 6 Water extension – $600K County investment planned for FY2014, opens up new area for expansion

Tuckahoe Creek Service District

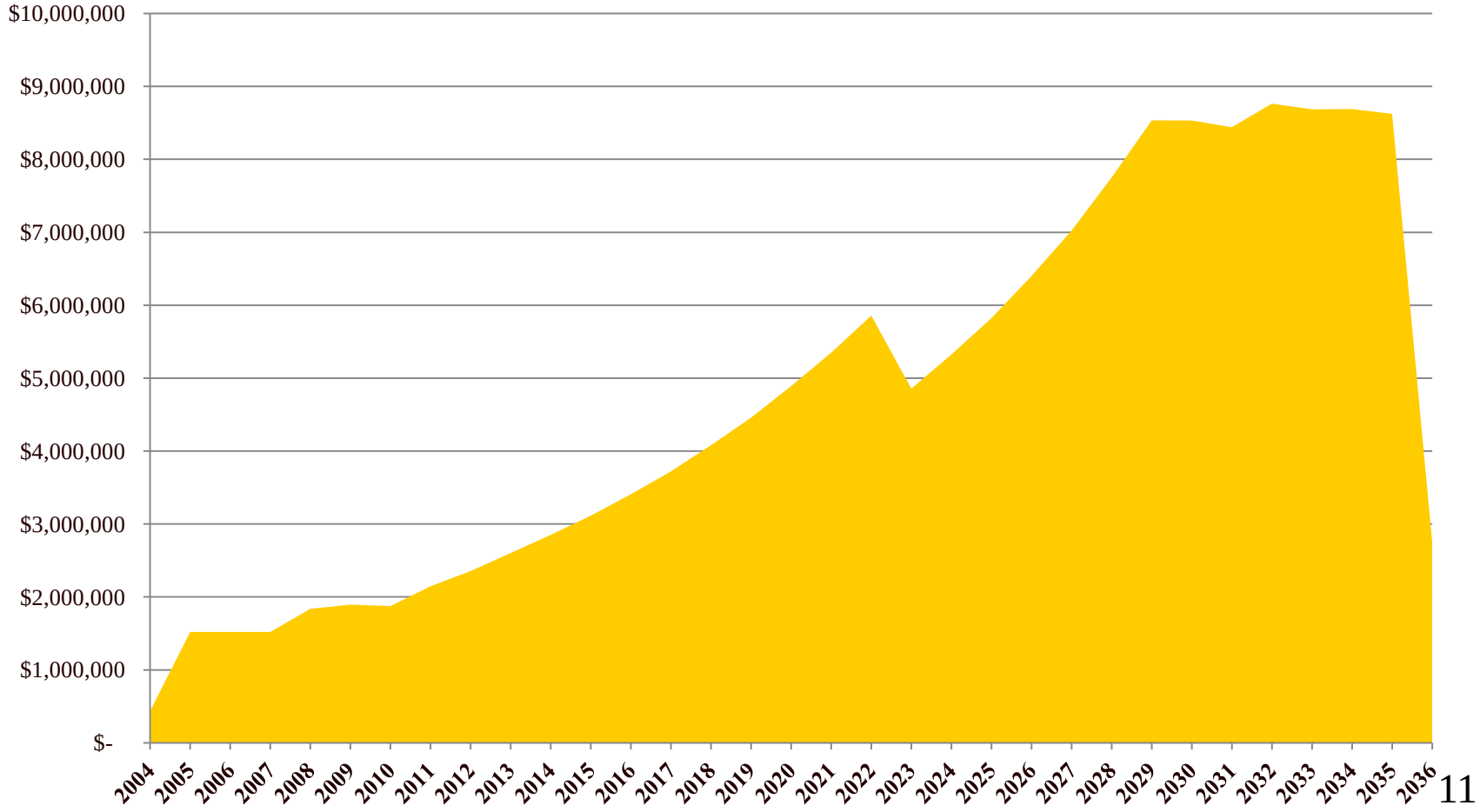
VRA Bonds

What is the Issue?

- $62.7 million in water and sewer revenue bonds were issued back in 2002 by the Virginia Resources Authority
- The proceeds were used to finance water and sewer infrastructure within the Tuckahoe Creek Service District
- The loan structure included a mixture of current interest bonds and capital appreciation bonds, resulting in a steeply ascending debt service repayment schedule
- Typical debt service repayment schedules are level payment structures or something similar, so this was quite unique, and depended on a lot of growth occurring within the District

TCSD Debt Service

FISCAL YEAR Net Debt Service - 2002 VRA only



Refunding Objectives

- Stabilize ad valorem tax rate
  - Critical for economic development and regional competiveness
  - Critical for taxpayers within the district
- Lower annual debt service and eliminate debt service peaks
- Allow time to grow the tax base and users
- Take advantage of historically low interest rate environment

Looking Back…

- A number of critical assumptions made back in 2002 when the transaction was approved have not held up:
  - Growth in the assessed values – economy
  - Growth in usage/connections
  - Projected rate increases

Looking Back…

- For past few years, looking ahead proactively, Goochland has been in high level discussions with VRA regarding the long term challenges of the TCSD debt
- Loan and restructuring options were evaluated several times over past few years
- Given the structure of the 2002 bonds, no economically viable solution existed until this calendar year

Today – The Team

- County staff and District 5 Board member Mr. Ken Peterson
- New Financial Advisor – Public Financial Management
- New Bond Counsel – Kutak Rock
- New VRA leadership and staff
- New underwriters

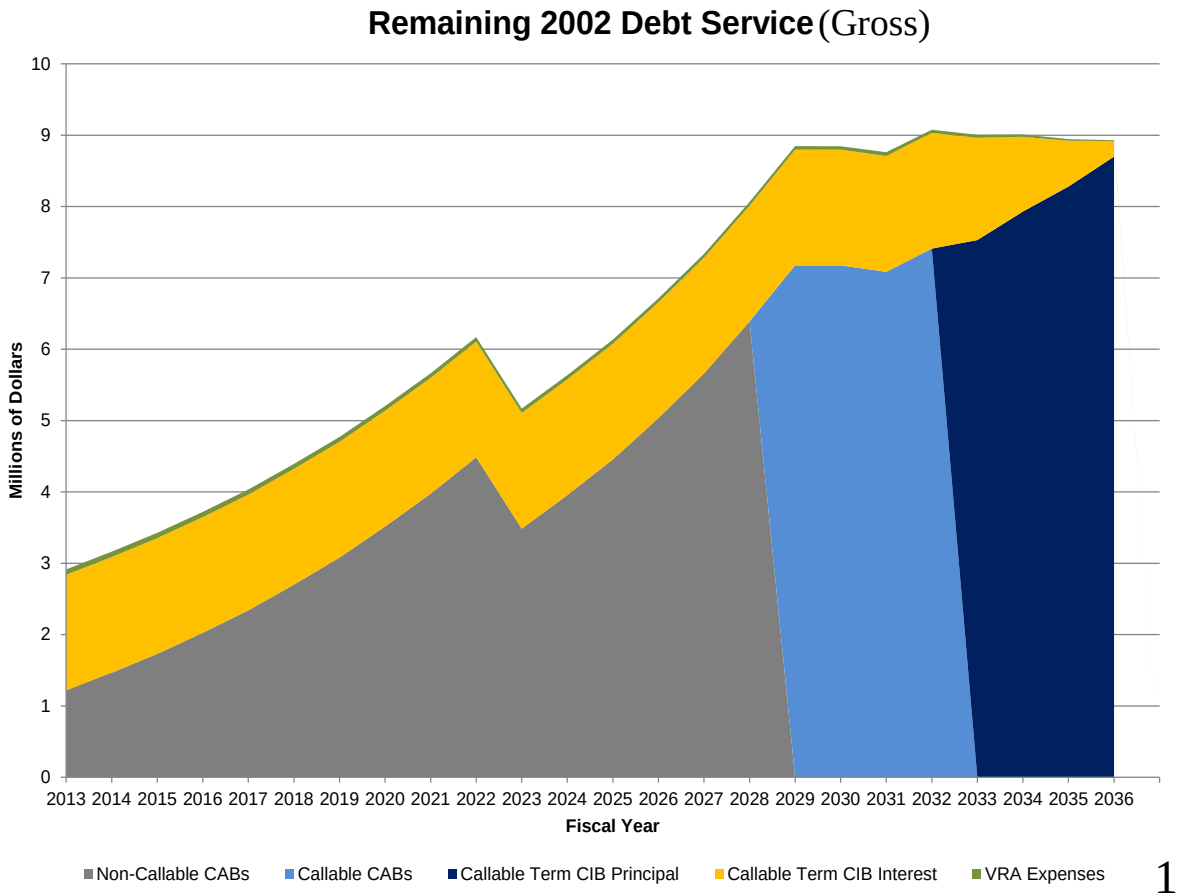
Leading Up to Today

- Discussions began in earnest in early 2012 between the County administration and VRA to evaluate refunding options – ongoing for 8 months
- In-depth exploration and analysis has occurred in past months
- Numerous scenarios have been developed, vetted, altered and vetted again

Existing Debt Service

Stated goals:

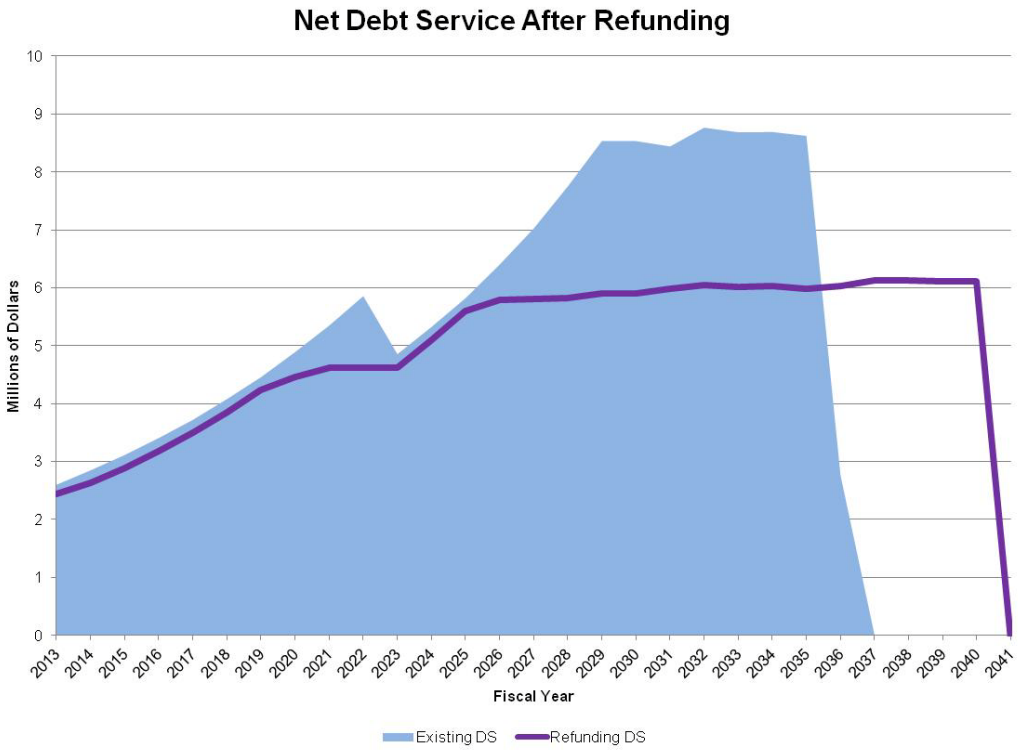
- Take advantage of the current favorable market environment
- Restructure debt to achieve a more manageable payment schedule; stabilize ad valorem, eliminate debt service peaks, lower debt service payments



Proposed Plan of Finance

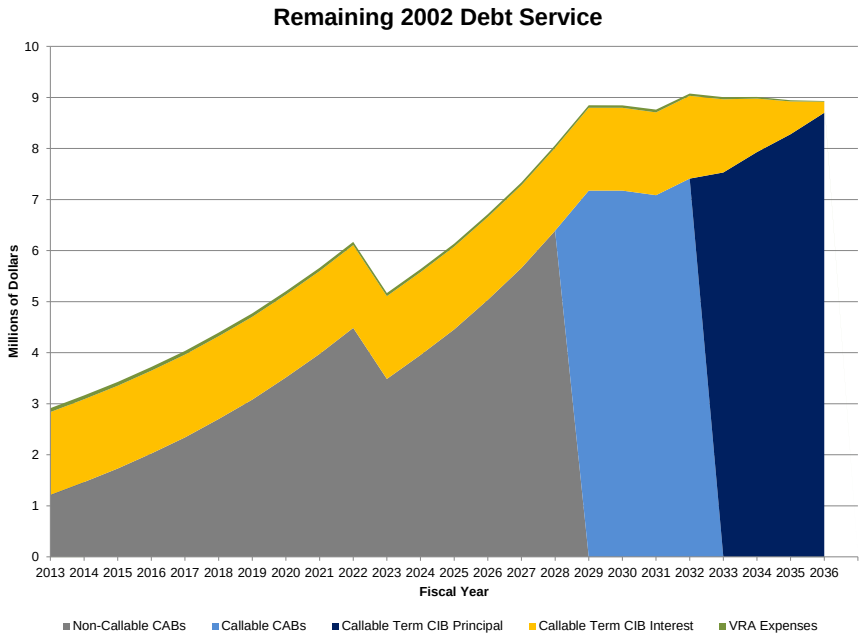
- Refunding as AA-rated standalone through VRA
- Extend final maturity 5 years to 2040
- Refund callable CABs and CIBs with similarly structured bonds
- Defease portions of the non-callable CABs to eliminate "peaks"

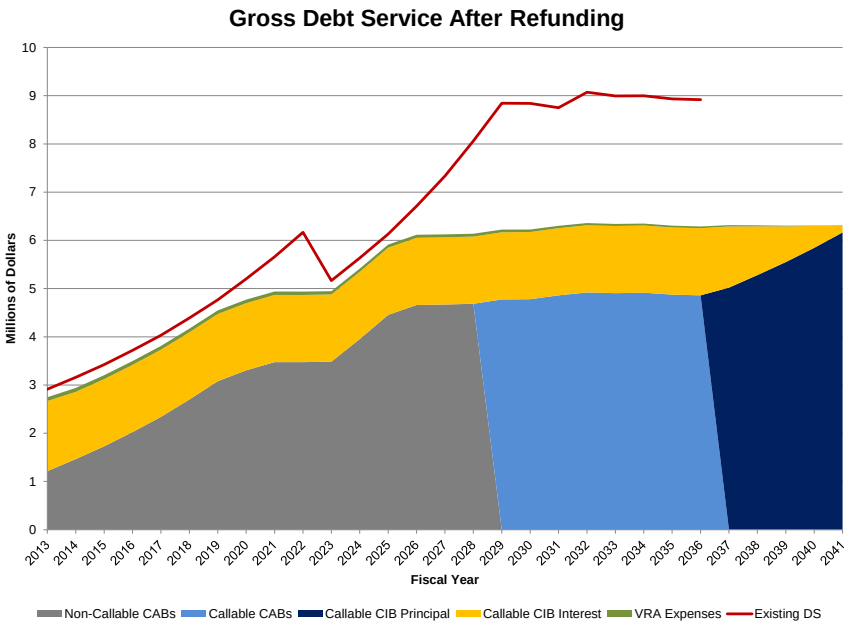
Previous Max Annual Net Debt Service	$ 8.76 million
New Maximum Annual Net Debt Service	$ 6.13 million
Net Present Value Savings	$ 3.84 million



Note: Figures are rounded, estimated based on market conditions as of 9/18/12

Gross Debt Service Comparison





Outstanding Bond Value at Maturity (2002)

Non-Callable CABs	$	54,295,000
Callable CABs	$	28,845,000
Term CIB	$	32,440,000
Total	**$**	**115,580,000**

Outstanding Bond Value at Maturity (After Refunding)

Non-Callable CABs (2002)	$	49,505,000
Callable CABs (2012)	$	38,890,000
Callable CIBs (2012)	$	27,860,000
Total	**$**	**116,255,000**

Summary of Proposal

- Reduces debt service payments during each of the next 23 years, compared to current schedule
- Only extends debt maturity 5 years
- Saves about $4.2 million over next 10 years, allowing for development and real estate market recovery
- Reduces maximum annual payments (in FY2029 through FY2035) by about 30% or $2.63 million per year

Debt Service Savings

	2002 Net Debt Service	2012 Net Debt Service	Net Savings
First 10 Years: FY2013-23	45,186,421	41,020,877	4,165,544
Next 13 Years: FY2024-35	92,578,832	69,975,489	22,612,343
Last 6 Years: FY2036-41	2,762,490	30,419,503	(27,657,013)

Net Present Value Savings at 3.26%: $3,844,952

Restructuring Proposal – Proactive Contingencies

- County staff has developed a 10-year plan to complement the expected debt service savings
- Plan assumes conservative assumption of only 3% annual growth in taxable values
- It is hoped that the Ad Valorem rate can remain stable at 32 cents – to be evaluated through the budget process even with assessments expected to decline again
- A reserve has already been established in the County's general fund, can be drawn from if needed

Proposal Meets Goals

Good for Goochland County:

- Smoothes out debt service, eliminates peaks
- Provides short term relief
- Allows time to grow the tax base and users
- Stabilizes outlook for ad valorem tax rate-important to customers in the TCSD and critical for economic development and regional competiveness

Next Steps

- Goochland's request to refund the 2002 bonds was approved by the VRA Board on September 11th, by resolution
- To proceed with a timely sale of the 2012 bonds, Board is requested to approve a resolution at the October 2nd meeting
- This would allow for bond pricing on October 25th, before the election
- 2013 TCD Ad Valorem rate will be evaluated during budget process – the hope is to be able to leave the Ad Valorem at the same rate

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Questions?