

Multi-Year School Capital Funding Plan

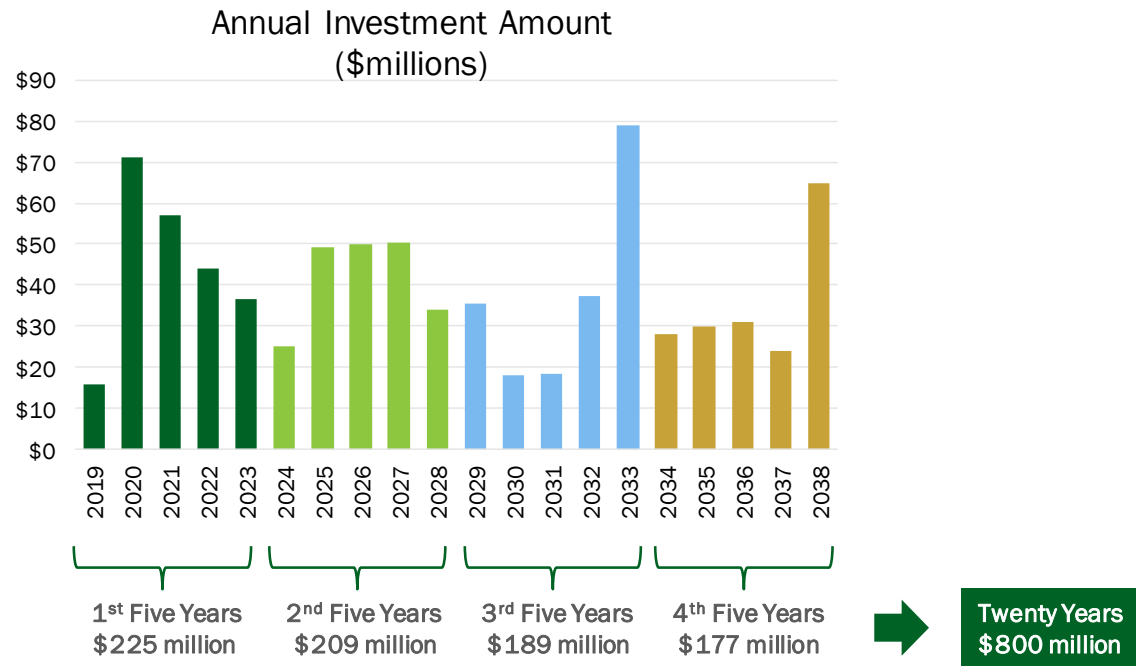


Background



- The 2017 voter-approved referendum requiring the administration of Mayor Levar M. Stoney of the City of Richmond, Virginia (the “City”) to develop a fully funded plan to renovate or replace the City’s aging school buildings was approved by the General Assembly effective July 1, 2018.
- The referendum tasked Mayor Stoney with the creation of a plan to modernize school facilities that did not involve raising taxes or alternatively, declare that such a plan is not feasible.
- Richmond Public Schools (“RPS”) has identified the following \$800 Million of capital funding needs over 20 years (Figure 1), which serves as the basis for the Proposed Multi-year School Capital Funding Plan herein.

Figure 1



Source: Richmond Public Schools.

The Proposed Multi-Year School Capital Funding Plan (the “Proposed School Plan”)



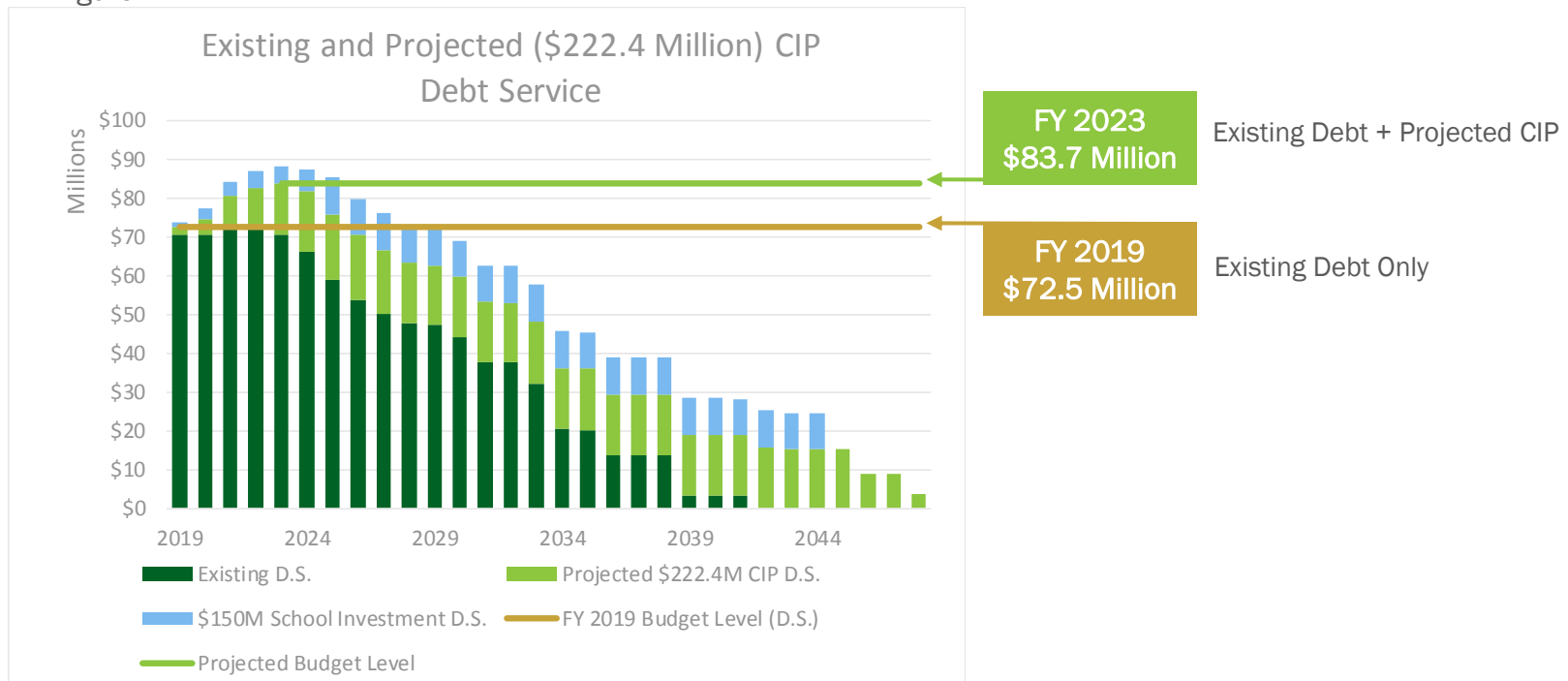
- Mayor Stoney’s administration, in conjunction with Davenport & Company LLC as Financial Advisor, has developed a Multi-year School Capital Funding Plan (the “Proposed School Plan”) that accomplishes the following:
 - Successfully provides \$800 Million of school capital investment over 20 years;
 - Includes \$150 Million of school capital investment funding based on the recently enacted 1.5% Meals Tax that is dedicated to Schools;
 - Funds the Remaining \$650 Million of School Capital Investment over 20 Years by allocating 50% of future Debt Capacity
 - Provides significant additional capital funding (approximately \$650 Million) for general non-school projects over the same 20-year time frame;
 - Allows for full compliance with all of the City’s existing Debt Policy Guidelines;
 - Does not rely on any real estate tax increase; and
 - Relies on 2% growth in the City’s Projected Budget for Debt Service commencing in FY 2024, a rate that is below that of historic inflation and is a fraction of the City’s recent growth in taxable real estate assessed valuation.

Approach to the Proposed School Plan



- The Proposed School Plan is structured around the City’s approved FY 2019-FY2023 CIP, which incorporates approximately \$223 Million of anticipated borrowing covering the most recently approved and previously approved CIP spending needs.
- The Proposed School Plan does not exacerbate the estimated debt service related to the City’s current level of CIP spending needs.

Figure 2



- Note: The current level of CIP spending needs will require the City to increase its annual debt service budget from approximately \$73 Million to an estimated \$84 Million by FY 2023 (Figure 2).

Source: Existing Debt and CIP – Richmond Department of Finance.

How the Proposed School Plan Works



■ The Proposed School Plan:

- Relies on 2% growth in the City’s Projected Budget for Debt Service commencing in FY 2024;
- Takes advantage of the City’s rapid payoff of debt, which is one key factor in enabling the City to successfully meet the \$800 Million capital funding request from RPS;
- Includes the \$150 Million of funding, which is repaid from a dedicated funding source consisting of a 1.5% Meals Tax;
- Incorporates the Remaining \$650 Million of School Capital Investment over 20 Years by allocating 50% of future Debt Capacity;
 - (Note: this approach leaves approximately \$650 Million for general non-school projects over the same 20-year time frame.)
- Incorporates a dedicated funding program for school capital investment based on 5-year intervals; and
 - (Note: At the beginning of each 5-year interval the City would issue interim financing, all of which is available to the RPS in year 1, to fund the planned school capital investment for the 5-year interval.)
- Implements Permanent Financing for the schools once construction is complete at the end of each 5-year interval.
 - (Note: This approach allows the City to take full advantage of its rapid pay down of debt and maximize its debt capacity.)

The Proposed School Plan



- Figure 3 outlines the funding levels for each 5-year interval in the 20-year Proposed School Plan.

Figure 3

Period	RPS Facilities Report Needs	Debt Capacity Allocated to Schools	Debt Capacity Allocated to General Fund	Total
FY 2019-2023	\$225.0	\$150.0	\$122.8	\$272.8
FY 2024-2028	209.0	200.0	200.1	400.1
FY 2029-2033	189.0	212.2	212.3	424.4
FY 2034-2038	177.0	237.8	238.5	476.3
Total	\$800.0	\$800.0	\$773.6	\$1,573.6

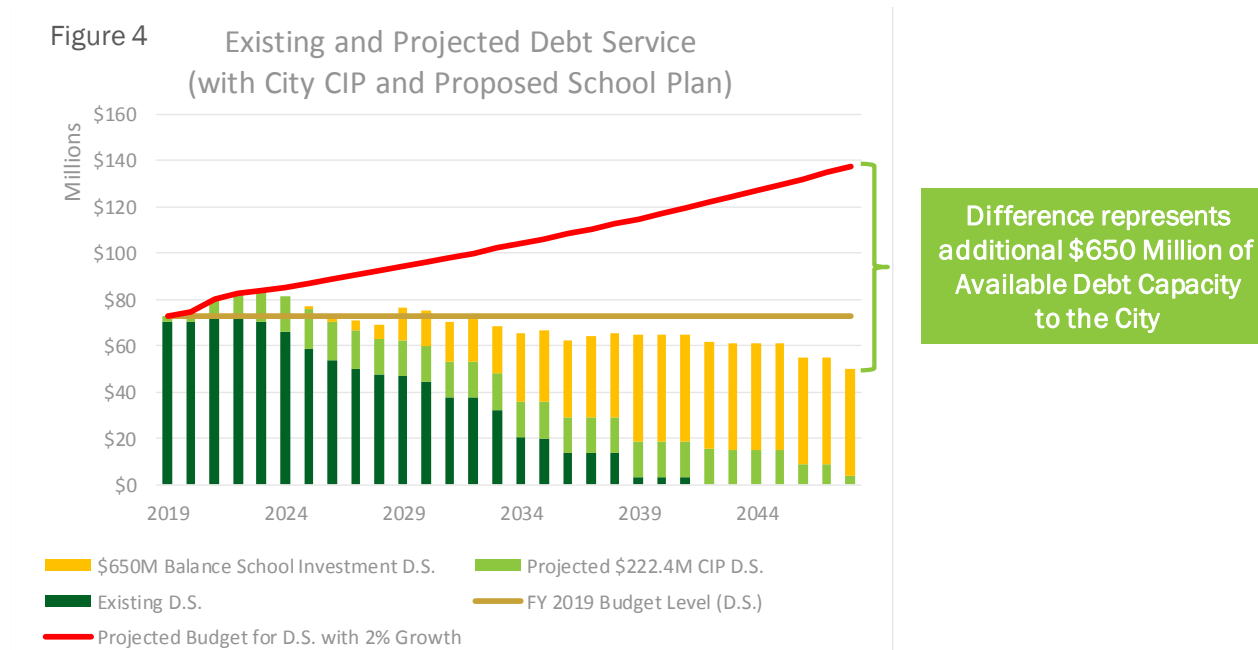
Amounts in \$millions.

- Initial funding amount completed.
- Approximately 50% of projected Debt Capacity or \$650 Million allocated to Schools. These monies are actually available in total to the City/RPS at the beginning of each 5 year period (i.e. \$200.0 Million is available in FY 2024, etc.)
- \$650 Million of projected Debt Capacity for general non-school projects over the same 20-year time frame.

Existing and Projected Debt Service with the Proposed School Plan



- Figure 4 shows Existing and Projected Debt Service including the City's CIP and Proposed School Plan versus the Projected Budget for Debt Service (assuming 2% Growth).



- The growth in the Projected Budget for Debt Service enables the City to:
 - Fully fund its \$223 Million of CIP spending needs;
 - Incorporate the Remaining \$650 Million of School Capital Investment in the Proposed School Plan over 20 years by allocating 50% of future debt capacity;
 - Preserve the 50% balance of future debt capacity for the City's General Fund capital investment over 20 years, which approximates \$650 Million; and
 - Accomplish the above without increasing tax rates.

Source: Richmond Debt Capacity Model.

Disclaimer



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

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

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

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

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

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01/13/2014 RK|DR