

Credit Rating Overview, Key Debt Policies, General Fund Capital Funding Approach, and Bond Funding Process

Briefing Materials Prepared for the City of Richmond
Finance and Economic Development Committee



February 18, 2026

Goals & Objectives



- Discuss the current status and importance of the City's Credit Ratings with a focus on the General Obligation (i.e., General Fund) credit.

- Outline the City's key Debt Management Policies.

- Summarize the City's FY 2026 – FY 2030 General Fund Capital Improvement Plan ("CIP") spending needs that are anticipated to be debt financed and show the projected impact of bond funding the CIP on the City's key Debt Management Policies.

- Discuss the City's planned approach to the CIP bond funding process and the 2026 General Obligation (G.O.) Bond financing timetable.

- The above topics are for informational purposes only, except for the requested City Council action related to the Refunding Resolution(s) to be considered at the February 23, 2026 City Council Meeting.



General Obligation Credit Ratings Overview

Current General Obligation Ratings



- The City's General Obligation (G.O.) Bond Credit Ratings are Aa1/AA+/AAA – the highest in over 40 years.
- Since 2002, the City's G.O. Credit Ratings have been upgraded a total of five (5) notches/categories.
 - The Utility Credit Ratings are separate from the G.O. Credit Ratings and have been upgraded a total of seven (7) times since 2002.
- These Credit Ratings enable the City to:
 - Finance new CIP needs at very favorable interest rates;
 - Maximize the savings opportunity when refunding debt; and
 - Reassure both the existing and prospective business communities that Richmond is well-managed and a good place to invest.

General Obligation Credit Ratings			
	Moody's	S&P	Fitch
Top Tier "Highest Possible Rating"	Aaa	AAA	AAA
	Aa1	AA+	AA+
2nd Tier "Very Strong"	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
3rd Tier "Strong"	A2	A	A
	A3	A-	A-
4th Tier "Adequate Capacity to Repay"	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-Investment Grade			
Current Rating			



Key Debt Management Policies & Planned G.O. Debt/Approach to the G.O. Bond Financing – 2026 Bonds

Key Debt Policies



- The City manages its CIP and debt issuance based on three long-standing key Debt Management Policies, which are as follows:

		Current Ratio	Compliance with Policy
1	Total Tax Supported Debt Service shall not exceed 10% of the General Fund Budget.	6.5%	Yes
2	Tax Supported Debt to Total Taxable Assessed Valuation shall not exceed 3.75%.	2.3%	Yes
3	The 10-Year Payout Ratio of Tax Supported Debt shall not be less than 60%.	73.1%	Yes

- These policies were originally adopted in 2012 and were last amended in 2017.



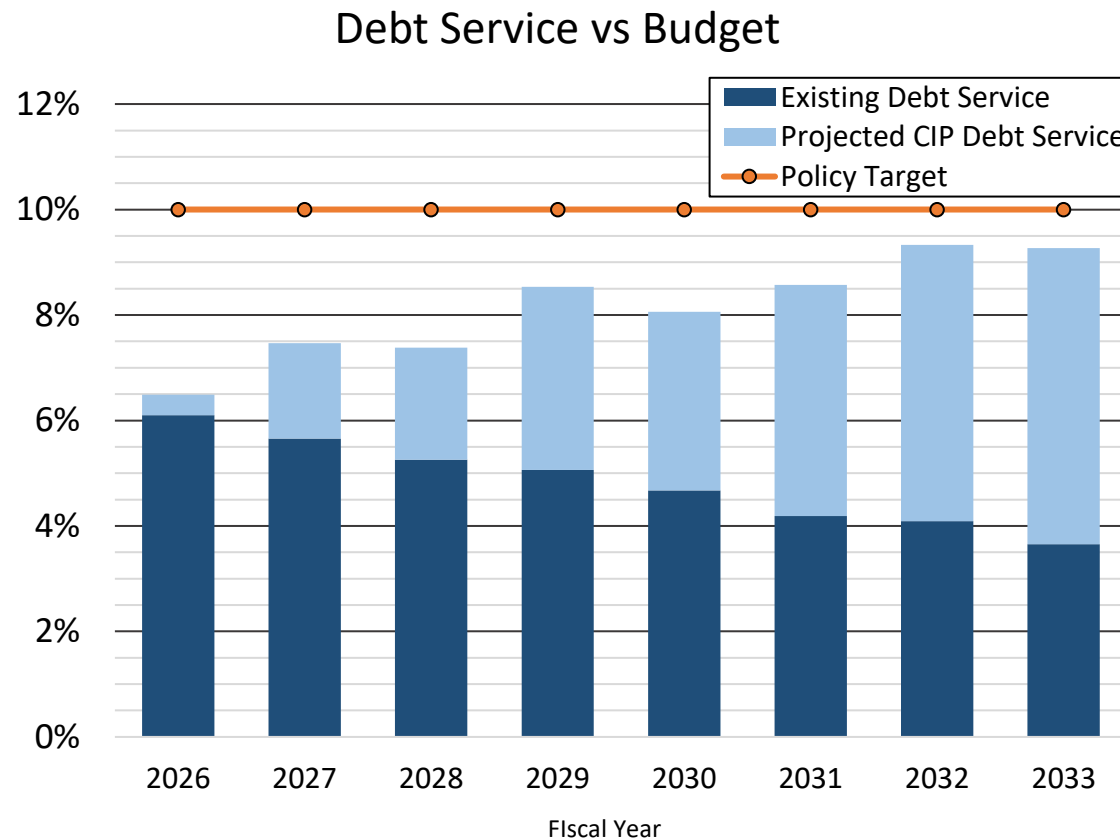
Key Debt Policies (*Continued*)

- Taken together, these policies provide the City with an overall Debt Capacity that is available in future years and guides the City's CIP planning process.
- One policy may be more limiting than another, but when viewed together, they provide overall governing limits on the amount of debt that the City may issue and remain within 'Best Practices' of highly rated cities.
- The City has always lived within these Debt Management Policies and is projected to remain in compliance under its FY 2026 – FY 2030 CIP.

Debt Policies | 1. Debt Service to Budget



- The City's Total Tax Supported Debt Service shall not exceed 10% of the General Fund Budget.
 - The City is currently in compliance with its Debt Service to Budget Policy.

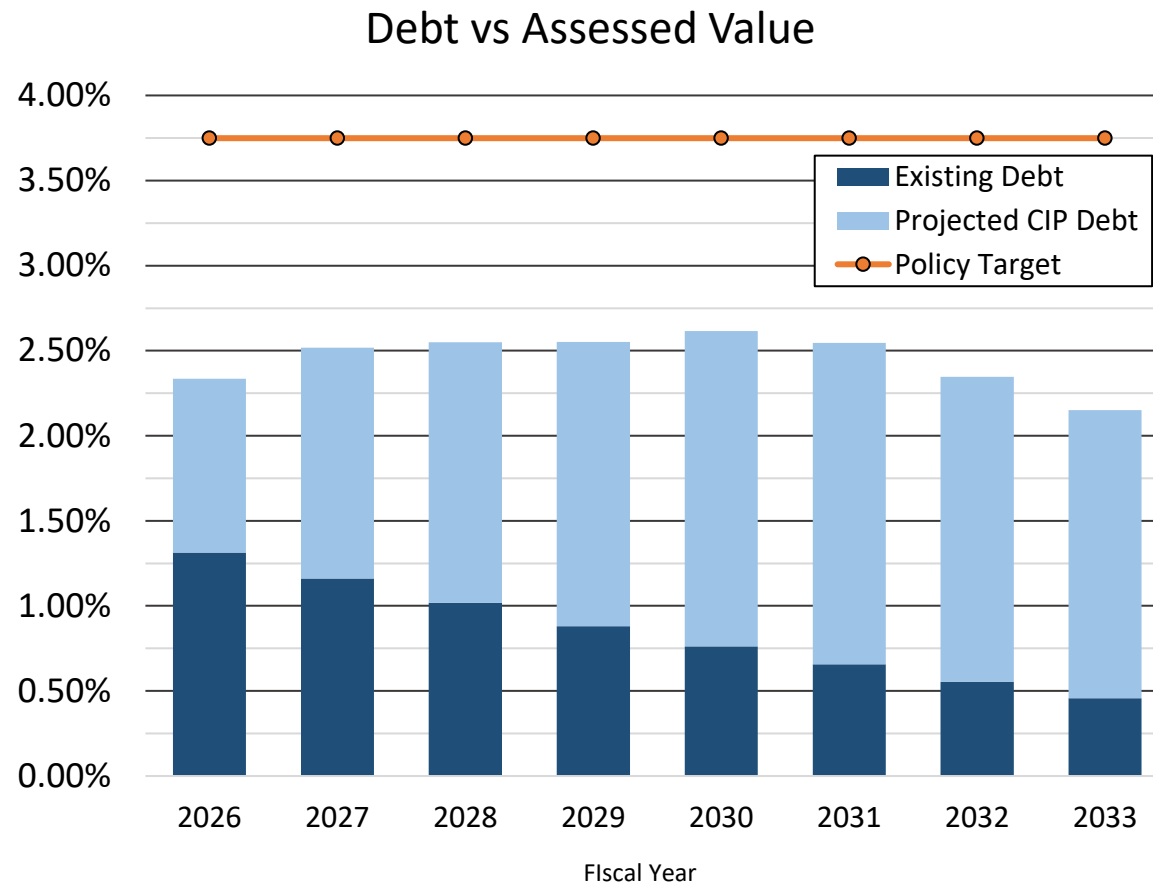


Note: assumes average budget growth of 2.5% through FY 2033.

Debt Policies | 2. Debt to Assessed Value



- The City's Total Tax Supported Debt versus Total Taxable Assessed Valuation shall not exceed 3.75%.
 - The City is currently in compliance with its Debt to Assessed Value Policy.

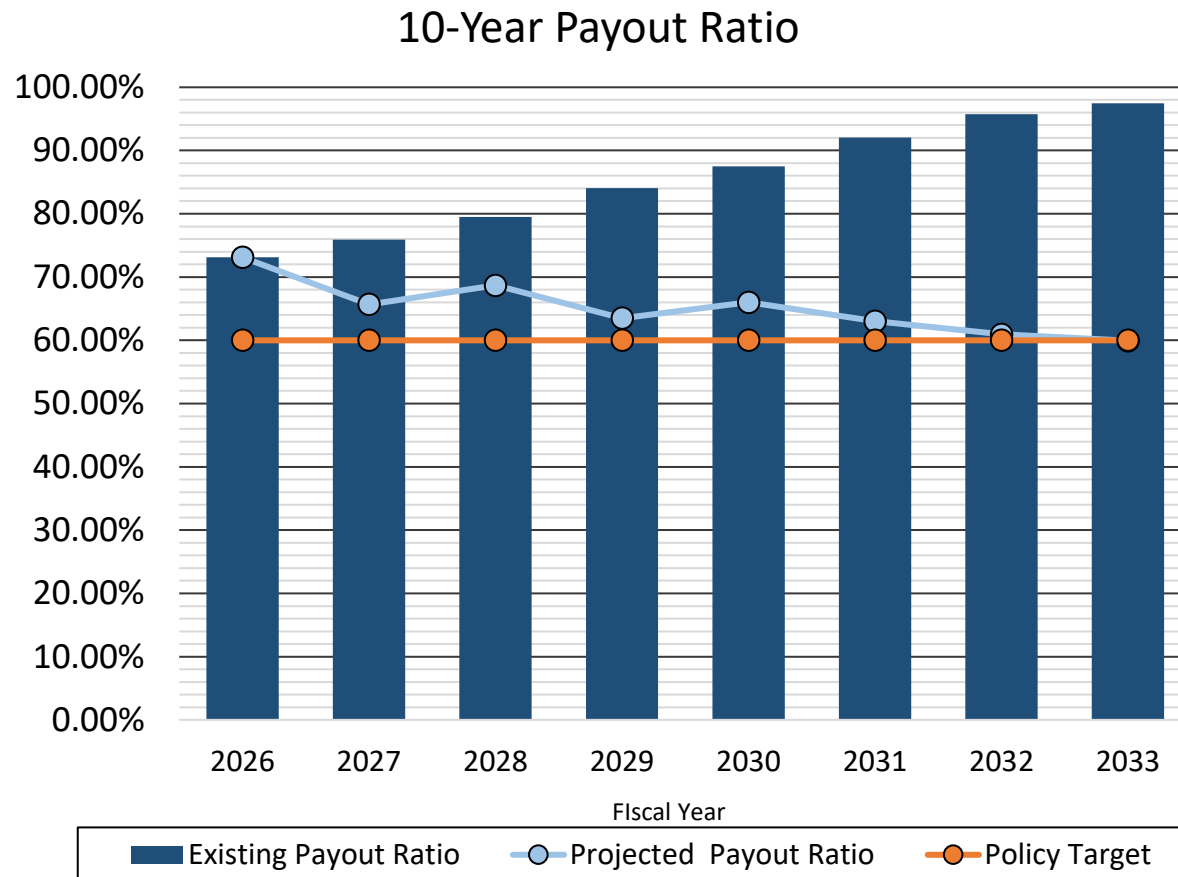


Note: assumes average Total Taxable Assessed Value growth of 2.5% through FY 2033.

Debt Policies | 3. 10-Year Payout Ratio



- The City's 10-Year Payout Ratio of Tax Supported Debt shall not be less than 60%.
 - The City is currently in compliance with its 10-Year Payout Ratio Policy.



G.O. Debt Issuance Approach



- The City borrows for its CIP needs using a “Just in Time” financing approach.
- This approach involves the use of Interim Financing that is taken out with long-term 20-year G.O. bonds every 2-3 years.
- The “Just in Time” approach accomplishes the following:
 - Minimizes the stress on the budget (i.e., from debt service);
 - Is more cost effective as the City spends on projects; and
 - Is flexible, allowing the City to convert to long-term bonds and take advantage of interest rate conditions as the market changes.



2026 General Obligation Bonds Financing Process

- The 2026 G.O. Bonds (the “Bonds”) are expected to be issued in April 2026 and will finance approximately \$250 million of the City’s approved \$1.0 billion of General Fund CIP spending needs.
- The City Council provides authorization of G.O. Bond financing for its CIP spending needs with its annual budget adoption process.
 - No further action is needed for the 2026 Bond financing for CIP spending.
- However, any potential bond refunding opportunities for interest rate savings require City Council authorization.
 - *Note: the only City Council action requested at this time for the 2026 G.O. Bond Financing is the authorization to refinance the City’s 2015B G.O. Bonds, scheduled for the February 23, 2026 City Council meeting.*
- The 2026 Bond financing process incorporates formal meetings with the three national Credit Rating Agencies to obtain ratings for the Bonds.
- Once the ratings are received, the Bonds are sold via the public markets.

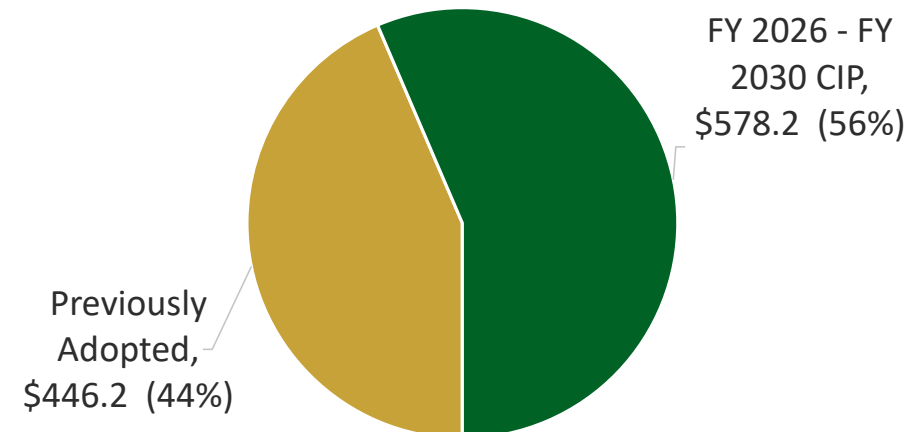
Planned G.O. Debt

Capital Improvement Plan (“CIP”) Spending



- The City authorizes its CIP based on continued compliance with its debt policies.
- The City’s planned G.O. debt financed portion of its CIP approximates \$1.0 billion and includes:
 - Adopted FY 2026 – FY 2030 CIP = \$578.2 million.
 - Previously authorized CIP = \$446.2 million.
- The above amounts incorporate approximately:
 - \$550 million for the General Fund CIP;
 - \$400 million for school construction (the second and third phases of the \$800 million New School Investment Program); and
 - \$50 million of affordable housing investment.
- The City’s 2026 G.O. Bonds will finance approximately \$250 million of the above CIP spending.

Approved G.O. Bond Funding (\$ millions)





Revenues Needed to Pay Projected CIP Debt Service⁽¹⁾

- The City's current annual budget for G.O. Bond debt service is approximately \$89 million.
- Based on most current projections, the City's debt service budget will have to grow by the following amounts:
 - Approximately \$8 million⁽¹⁾ in FY 2027; and
 - An additional approximately \$21 million,⁽¹⁾ for a total of nearly \$30 million by FY 2029.
- The City will need to allocate an average of an additional \$10 million per year each fiscal year through FY 2029 to service its planned G.O. debt financings.

Note: for illustrative purposes only – each penny on the Real Estate Tax Rate is slightly under \$5 million.

(1) New revenues needed to pay for projected CIP debt service. Note: this debt service excludes the City's Pension Obligation Bonds paid from revenues that were previously directed to the RRS ADC and debt related to the Diamond District (to be paid from incremental new revenues from the project).

Potential New Resource for Future School CIP Needs

1% Local Option Sales Tax for School Construction



- New legislation for the 1% Local Option Sales Tax for School Construction has been re-introduced in the current General Assembly session and is expected to be passed and signed into law by Governor Spanberger.
 - After the proposed legislation authorizing the 1% Local Option Sales Tax is passed, the City will have the option to hold a referendum to approve the additional 1% Local Options Sales Tax at the local level.
- The 1% Local Option Sales Tax would generate approximately \$45 million of additional annual recurring revenue that would support new school capital investment in the City.
- If the City implements this new revenue, preliminary analysis shows that approximately \$450 million of G.O. Bond funding for new school construction could be supported from the 1% Local Option Sales Tax instead of other General Fund revenues.
- The 1% Local Option Sales Tax would allow the City to “free up” other General Fund revenues for debt service on the City’s upcoming Courthouse project or other capital needs.

2026 General Obligation Bonds Preliminary Time Schedule



- The following schedule summarizes key activities for the 2026 G.O. Bond issuance process.

Date	Task
February 23, 2026	<u>City Council Meeting</u> ■ City Council considers adopting Refunding Resolution(s).
Mid-March 2026	Meetings with Credit Rating Agencies (Moody's, S&P, and Fitch).
Late March 2026	Ratings received by the City.
Early April 2026	Bond Sale via the public markets. Interest rates are formally set.
Mid/Late April 2026	Closing and funding. Debt is issued.

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 01/01/2026 | DC | GC | BW | RK | DR |