

Multi-Year School Capital Funding Plan

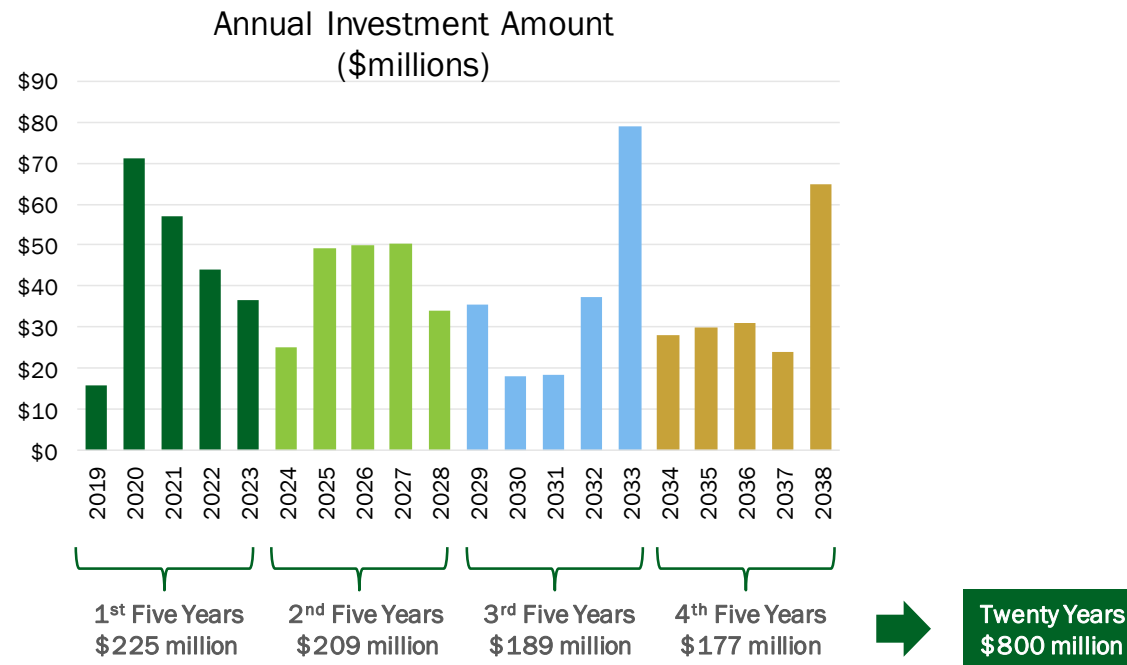


Background



- 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



The Proposed Multi-Year School Capital Funding Plan

(the “Proposed School Plan”)



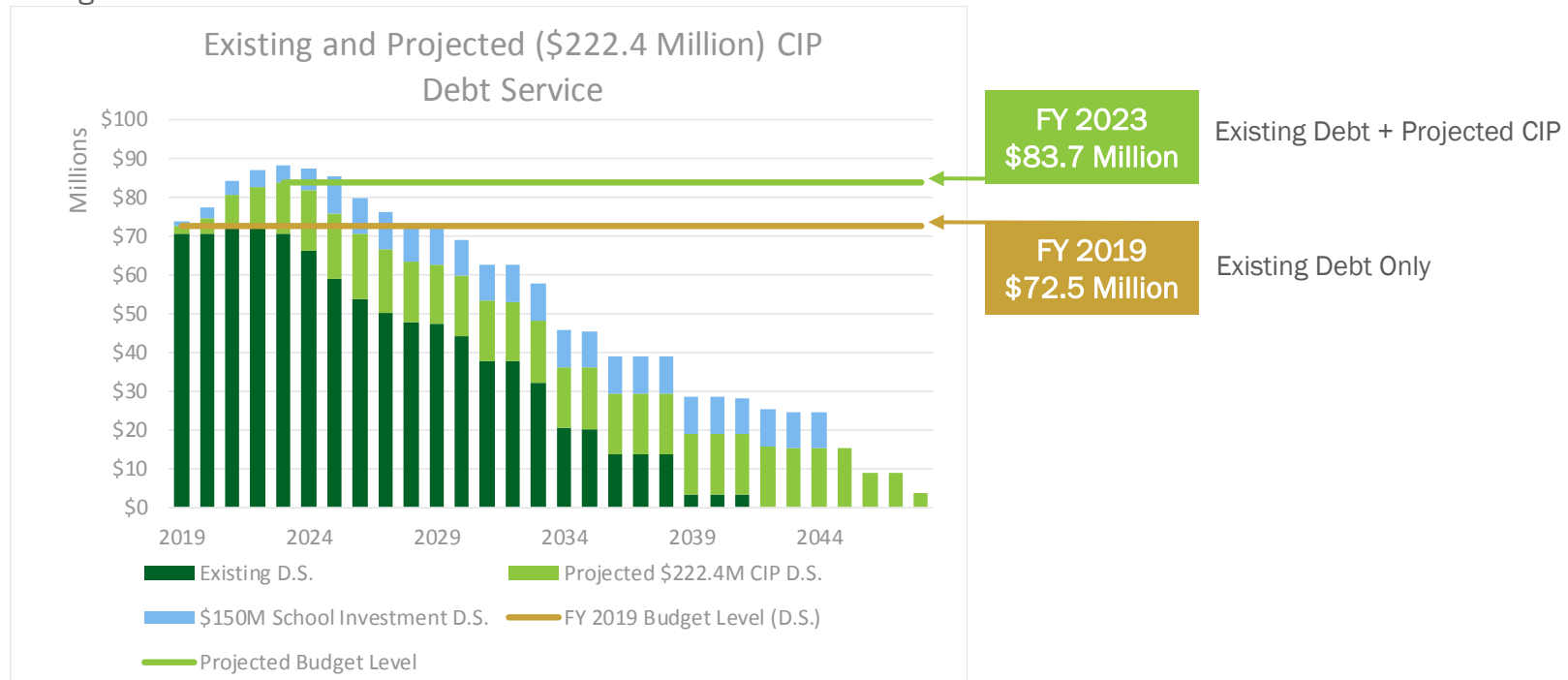
- Mayor Stoney’s administration, in conjunction with Davenport & Company LLC as Financial Advisor, has developed a Multi-year School Capital Funding Plan (the “Proposed School Plan”) that accomplishes the following:
 - Successfully provides \$800 Million of school capital investment over 20 years;
 - 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	1 \$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 3	424.4
FY 2034-2038	177.0	237.8	238.5	476.3
Total	\$800.0	\$800.0	\$773.6	\$1,573.6

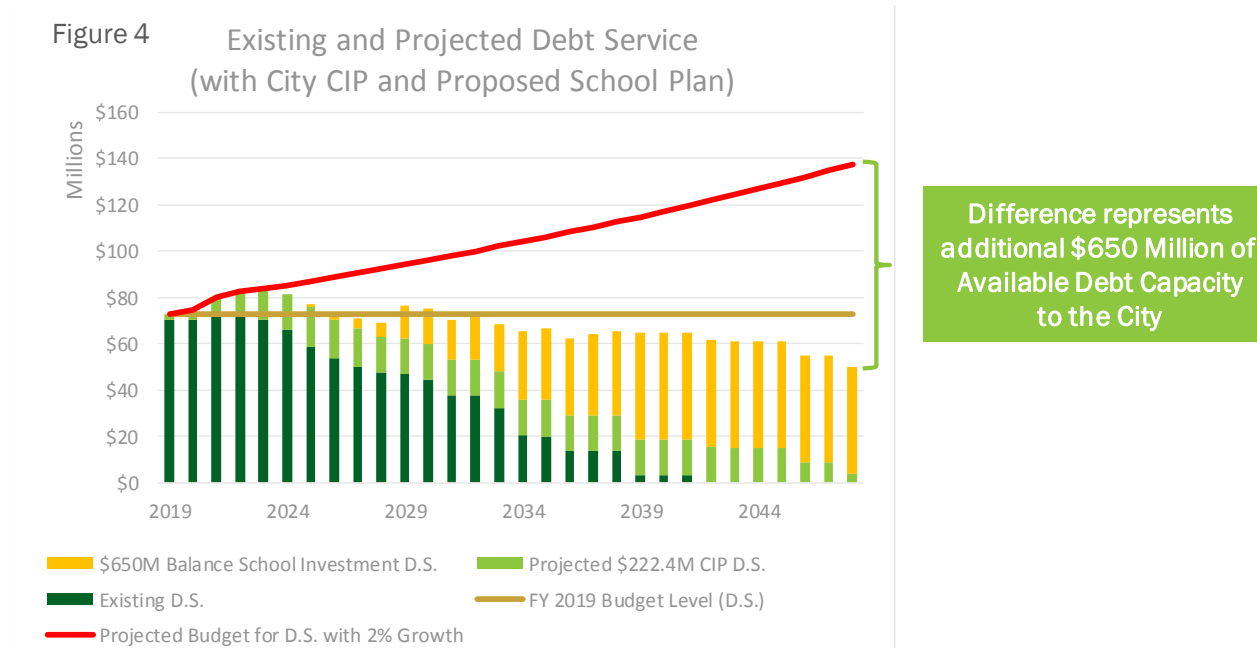
Amounts in \$millions.

- 1 Initial funding amount completed.
- 2 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.)
- 3 \$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.

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Version 01/13/2014 RK|DR