

DAVENPORT
& COMPANY LLC®

Est. 1863 • Member: NYSE • SIPC

ONE JAMES CENTER
901 EAST CARY STREET
14TH FLOOR
RICHMOND, VIRGINIA 23219

&
2424 GLENWOOD AVENUE,
SUITE 201
RALEIGH, NC 27608-1332

UPDATE

**Multi-Year Capital
Improvements Funding Plan
Prepared for**

**Montgomery County,
North Carolina**

June 20, 2006



GOALS & OBJECTIVES

- Provide Montgomery County with a Multi-Year Plan of Funding that takes into full account the following:
 1. General Governmental Projects
 2. Schools.
- Provide a funding strategy that meets both Local Government Commission (“LGC”) and general credit market expectations.
- Minimize any future equivalent tax rate increases.
- Maximize usage of potential revenue offsets, including lottery funds.



GOALS & OBJECTIVES (cont'd)

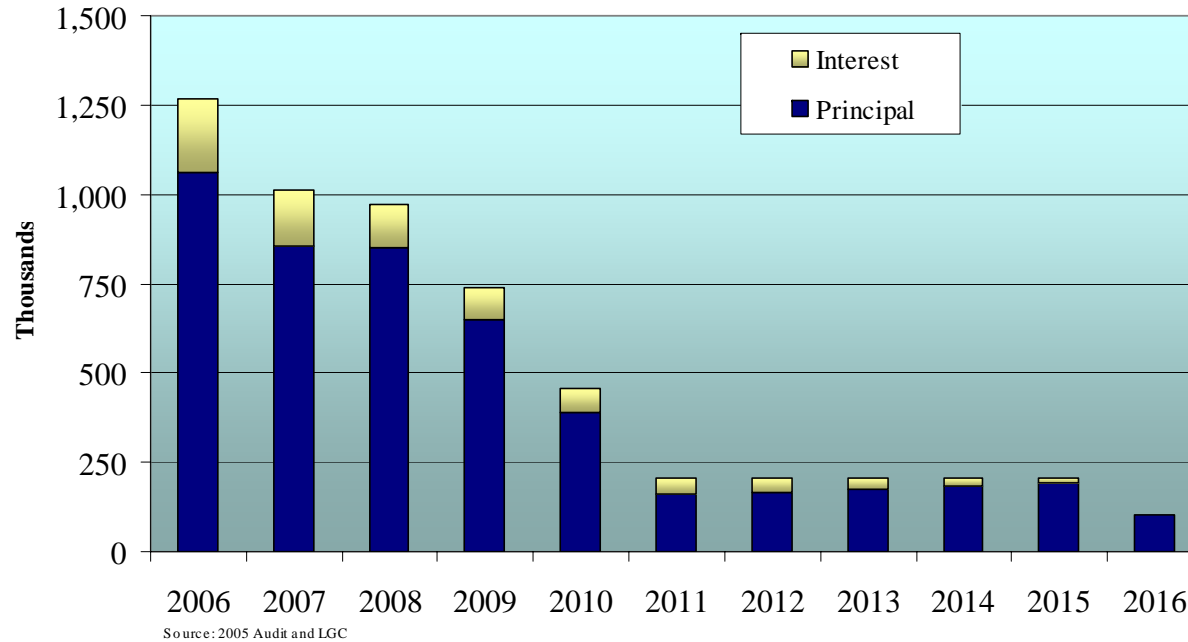
Also,

- Understand the County's existing debt structure on a fiscal year basis.
- Measure the County's existing debt burden according to a number of key financial ratios.
- Establish a working debt model that can be integrated with the County's Capital Improvement Plan ("CIP").
- Measure the impact of funding the requested Capital Improvement Program in terms of a number of key financial ratios.



EXISTING DEBT SERVICE – GENERAL FUND SUPPORTED DEBT

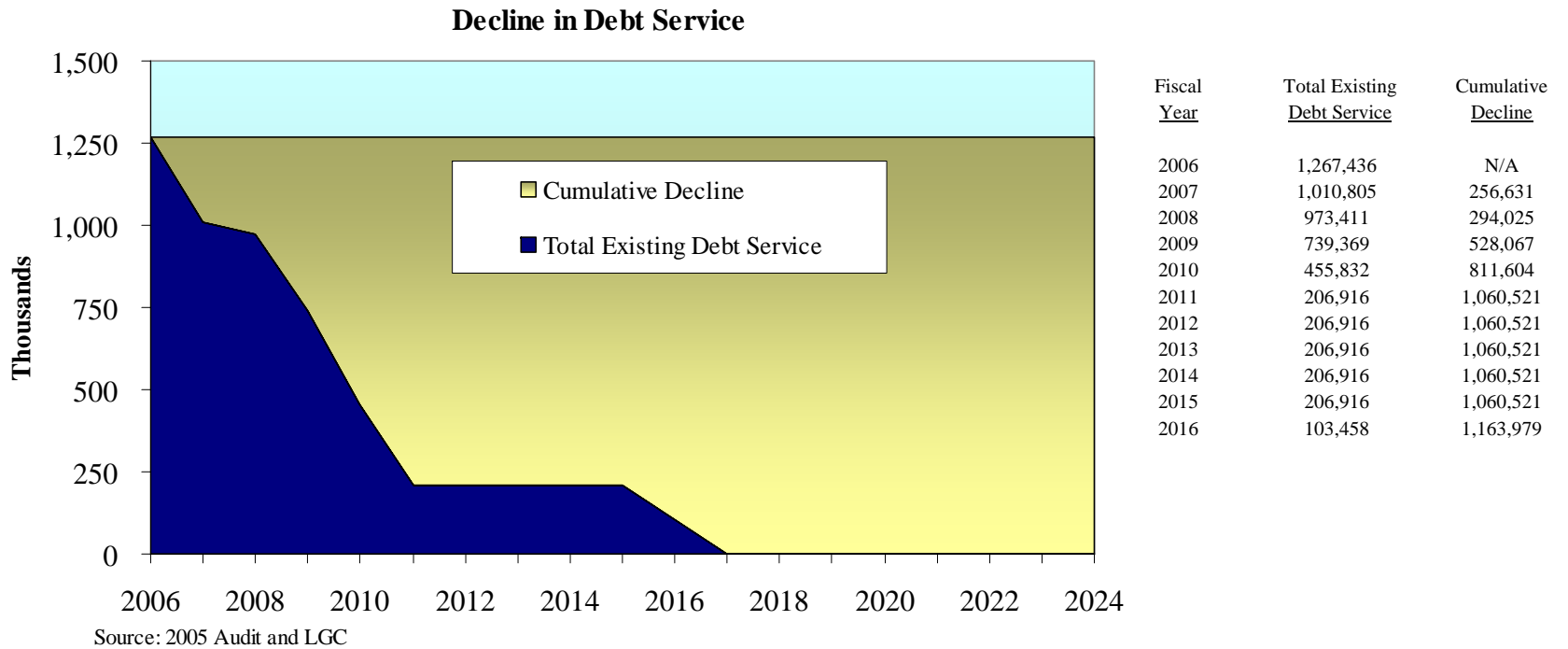
➤ **\$4,786,769– Estimated Tax Supported Debt as of June 30, 2005.**





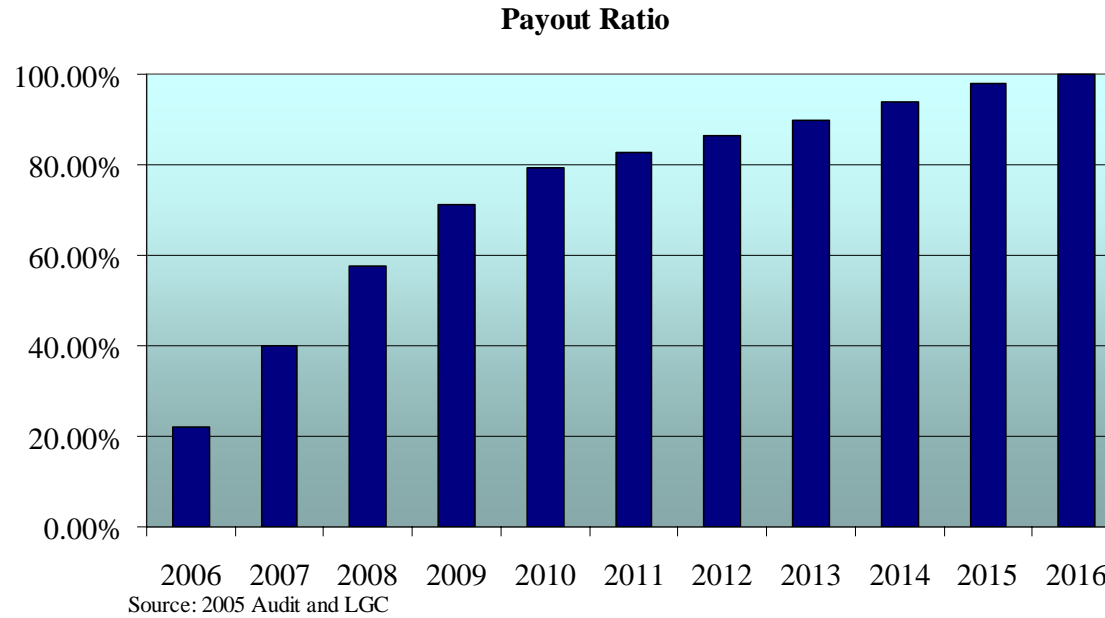
DECLINE IN DEBT SERVICE – GENERAL FUND SUPPORTED DEBT

➤ Estimated Funds Available from Decline in Existing Debt Service.





EXISTING PAYOUT RATIO – GENERAL FUND SUPPORTED DEBT



<u>Fiscal Year</u>	<u>Total Debt Service</u>			<u>Payout Ratio</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	1,060,715	206,721	1,267,436	22.16%
2007	853,026	157,779	1,010,805	39.98%
2008	849,226	124,186	973,411	57.72%
2009	648,719	90,651	739,369	71.27%
2010	391,317	64,515	455,832	79.45%
2011	159,507	47,408	206,916	82.78%
2012	167,615	39,300	206,916	86.28%
2013	176,135	30,780	206,916	89.96%
2014	185,088	21,827	206,916	93.83%
2015	194,496	12,419	206,916	97.89%
2016	100,924	2,533	103,458	100.00%
Total	4,786,769	798,121	5,584,890	



KEY ASSUMPTIONS – Revenues

Ongoing Revenues:

- \$50,000 annually for Social Services.
- \$15,000 annually for Courthouse from Courthouse Fees.
- \$350,000 annually for School Projects from Lottery Monies.

Other Key Assumptions:

- Value of Penny = \$204,000 in FY06.
- Real Estate Tax Rate = 58¢ per \$100 of Assessed Value.
- Annual Growth of Penny = 5.00%.
- Potential 10% of Annual Growth in Penny is Allocated to Debt Service.
- Take Advantage of Natural Decline in Existing Debt Service.

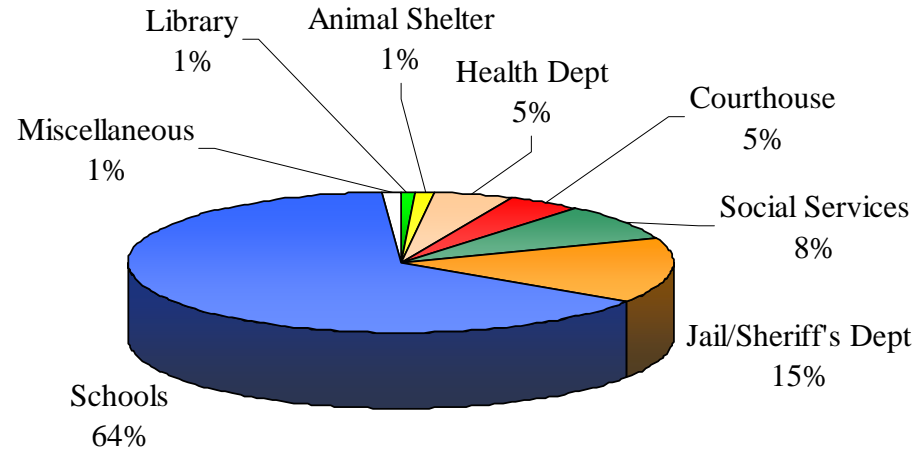


PROJECTS BY PHASE

	FY 2007 Phase <u>One</u> Non-BQ	FY 2008 Phase <u>Two</u> BQ	FY 2009 Phase <u>Three</u> BQ	FY 2010 Phase <u>Four</u> Non-BQ
Jail/Sheriff's Department	\$7,200,000			
New Elementary School	\$15,500,000			
Social Services		\$4,000,000		
Animal Shelter		\$600,000		
Library		\$350,000		
Miscellaneous		\$500,000		
Courthouse			\$2,200,000	
Health Department			\$2,200,000	
East Montgomery Middle School				\$8,100,000
West Montgomery Middle School				\$5,800,000
Community College (Health Services Building)				\$1,500,000
Totals	\$22,700,000	\$5,450,000	\$4,400,000	\$15,400,000
Total Estimated Project Costs				\$47,950,000



PROJECT BREAKDOWN



<u>Project</u>	<u>% of Total Funding</u>
Library	1%
Animal Shelter	1%
Health Department	5%
Courthouse	5%
Social Services	8%
Jail/Sheriff's Department	15%
Schools	64%
Miscellaneous	1%



PRELIMINARY ANALYSIS – Equivalent Tax Impact

Phases:	Phase 1 only (FY 2007)	All 4 phases (FY 2007-2010)
Funding Amount:	\$23,040,000	\$48,670,000

Equivalent Tax/Penny Impact:

2007	--	--	
2008	1.0	3.0	(1.5)
2009	--	3.0	(1.5)
2010	--	--	
2011	--	--	
2012	--	--	
Total	1.0	6.0	(3.0) *

Other Revenue Sources: *No landfill or grant funds currently dedicated*

***Potential State funding would reduce the equivalent tax/penny impact**

Note: Funding amount includes estimated costs of issuance.



PRELIMINARY TIMETABLE – Phase 1 Only

Key Assumptions:

Jail Project bid out – October 2006

Jail Project bids received/awarded – Dec 2006

School Project bid out – TBD

School Project bids received/awarded – TBD

(Note: For planning purposes, Davenport has assumed that the School Project will be in a position to award a contract on/about January 1, 2007.)

Summer 2006 (July-Aug) County Board of Supervisors approves Plan of Finance for Phase One.



PRELIMINARY TIMETABLE – Phase 1 Only (cont'd)

Summer 2006

Schools/County Staff proceed/continue with Architectural and Engineering work for their respective projects.

Fall 2006

Davenport begins process of developing legal and financing documents to present to bond rating agencies and LGC/bond marketplace.

Dec 2006/Jan 2007

Formal meeting(s) with LGC to approve documentation with County-approved construction bids in hand.

Feb/March 2007

- LGC approvals in place.
- Davenport markets and closes on financing.
- County moves forward with construction.



NEXT STEPS

- Revise key assumptions and amend analysis as needed.
- Continue to meet with Staff and Board as appropriate to discuss capital needs, timing, financing approaches, and implementation of financial policy guidelines.
- Continue to monitor Real Estate Tax Revenue growth (1¢ currently equals \$204,000).
- Present Capital Funding Strategy to LGC for discussion and preliminary approval.
- Develop detailed timetable for action and execute approved Plan of Finance.



PHASE ONE – FISCAL YEAR 2007

<u>Project</u>	<u>Estimated Cost</u>	<u>Amortization</u> ⁽²⁾
Jail/Sheriff's Dept	\$7,200,000	25 Years
New Elementary School	<u>\$15,500,000</u> ⁽¹⁾	25 Years
<i>Subtotal</i>	<u>\$22,700,000</u>	

(1) \$14.76 Million in '06 dollars, escalated at 5% for 1 year.

(2) Level Debt Service; first year as Interest Only.



PHASE TWO – FISCAL YEAR 2008

<u>Project</u>	<u>Estimated Cost</u>	<u>Amortization</u> ⁽¹⁾
Social Services	\$4,000,000	20 Years
Animal Shelter Building	\$600,000	20 Years
Troy Library: HVAC	\$70,000	20 Years
Addition	\$245,000	20 Years
Flooring	\$35,000	20 Years
Miscellaneous	<u>\$500,000</u>	20 Years
<i>Subtotal</i>	<u>\$5,450,000</u>	

(1) Level Debt Service; first year as Interest Only.



PHASE THREE – FISCAL YEAR 2009

<u>Project</u>	<u>Estimated Cost</u>	<u>Amortization</u> ⁽¹⁾
Courthouse	\$2,200,000	20 Years
Health Department	<u>\$2,200,000</u>	20 Years
<i>Subtotal</i>	<u>\$4,400,000</u>	

(1) Level Debt Service; first year as Interest Only.



PHASE FOUR – FISCAL YEAR 2010

<u>Project</u>	<u>Estimated Cost</u>	<u>Amortization</u> ⁽³⁾
East Montgomery Middle School	\$8,100,000 ⁽¹⁾	25 Years
West Montgomery Middle School	\$5,800,000 ⁽²⁾	25 Years
Community College (Health Services Building)	<u>\$1,500,000</u>	25 Years
<i>Subtotal</i>	<u>\$15,400,000</u>	

(1) \$6.7 Million in '06 dollars, escalated at 5% for 4 years.

(2) \$4.8 Million in '06 dollars, escalated at 5% for 4 years.

(3) Level Debt Service; first year as Interest Only.

Water & Sewer ⁽⁴⁾

TBD

TBD

(4) Timing to be determined; assumed to be “self supporting” revenue-based when funded.



DEBT SERVICE BY PHASE

Fiscal Year	Existing Debt Service	Proposed Debt Service				Phase Four	Phase 1-4 Totals	FY Totals
		Phase One	Phase Two	Phase Three	Phase Four			
2006	\$1,267,436	\$0	\$0	\$0	\$0	\$0	\$1,267,436	
2007	1,010,805	0	0	0	0	\$0	\$1,010,805	
2008	973,411	1,152,000	0	0	0	\$1,152,000	\$2,125,411	
2009	739,369	1,669,730	248,850	0	0	\$1,918,580	\$2,657,949	
2010	455,832	1,669,730	439,123	201,150	0	\$2,310,002	\$2,765,835	
2011	206,916	1,669,730	439,123	354,951	781,500	\$3,245,303	\$3,452,219	
2012	206,916	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,803,439	
2013	206,916	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,803,439	
2014	206,916	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,803,439	
2015	206,916	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,803,439	
2016	103,458	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,699,981	
2017	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2018	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2019	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2020	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2021	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2022	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2023	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2024	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2025	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2026	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2027	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2028	0	1,669,730	439,123	354,951	1,132,720	\$3,596,523	\$3,596,523	
2029	0	1,669,730	0	354,951	1,132,720	\$3,157,401	\$3,157,401	
2030	0	1,669,730	0	0	1,132,720	\$2,802,450	\$2,802,450	
2031	0	1,669,730	0	0	1,132,720	\$2,802,450	\$2,802,450	
2032	0	1,669,730	0	0	1,132,720	\$2,802,450	\$2,802,450	
2033	0	0	0	0	1,132,720	\$1,132,720	\$1,132,720	
2034	0	0	0	0	1,132,720	\$1,132,720	\$1,132,720	
2035	0	0	0	0	1,132,720	\$1,132,720	\$1,132,720	
Total Estimated Debt Service:		\$5,584,890	\$41,225,509	\$8,592,180	\$6,945,216	\$27,966,784	\$84,729,689	\$90,314,579

Issued:	FY 2007	FY 2008	FY 2009	FY 2010
Rate:	5.00%	4.50%	4.50%	5.00%
Principal Payments (1st Year IO):	24	19	19	24
Funding Amount:	23,040,000	5,530,000	4,470,000	15,630,000
Bank Designation:	Non-BQ	BQ	BQ	Non-BQ

Note: Funding amount includes estimated costs of issuance.



EXISTING AND PROJECTED VALUE OF 1¢

Fiscal Year	Assessed Real Estate Valuation	Growth Rate	Fiscal Year	Value of 1¢	Cumulative Increase in Value of 1¢	Cumulative Revenues Generated	Cumulative Revenues Allocated to Debt Service
2000	1,047,674,471	N/A	2006	\$204,000	N/A	N/A	N/A
2001	1,095,415,711	4.56%	2007	214,200	10,200	591,600	59,160
2002	1,152,969,527	5.25%	2008	224,910	20,910	1,212,780	121,278
2003	1,188,158,625	3.05%	2009	236,156	32,156	1,865,019	186,502
2004	1,224,316,494	3.04%	2010	247,963	43,963	2,549,870	254,987
2005	1,582,312,291	29.24%	2011	260,361	56,361	3,268,963	326,896
2006	1,661,427,906	5.00%	2012	273,380	69,380	4,024,012	402,401
2007	1,744,499,301	5.00%	2013	287,048	83,048	4,816,812	481,681
2008	1,831,724,266	5.00%	2014	301,401	97,401	5,649,253	564,925
2009	1,923,310,479	5.00%	2015	316,471	112,471	6,523,315	652,332
2010	2,019,476,003	5.00%	2016	332,295	128,295	7,441,081	744,108
2011	2,120,449,803	5.00%	2017	348,909	144,909	8,404,735	840,474
2012	2,226,472,293	5.00%	2018	366,355	162,355	9,416,572	941,657
2013	2,337,795,908	5.00%	2019	384,672	180,672	10,479,001	1,047,900
2014	2,454,685,704	5.00%	2020	403,906	199,906	11,594,551	1,159,455
	Growth rate	5.00%	2021	424,101	220,101	12,765,878	1,276,588
	5-Year Avg.	9.63%	2022	445,306	241,306	13,995,772	1,399,577
			2023	467,572	263,572	15,287,161	1,528,716
			2024	490,950	286,950	16,643,119	1,664,312

Multiply
by Tax Rate of
\$0.580

Multiply
by
10.000%

Assumes Growth
Rate of 5.00% Based on
Real Estate Valuation



EQUIVALENT TAX IMPACT – Phase 1 Only

➤ Assumes Total Real Estate Tax Increase of One Penny (1¢) in FY 2008.

A	B	C	D	E	F	G	H	I	J	K	L	M
	Base Debt Service 1,267,436		TOTAL REQUIREMENT									
Annual Net Debt Service Payments												
Fiscal Year	Existing Debt Service	Phase 1 Debt Service	Existing & Proposed Debt Service	FY 06 Budgeted Debt Service	Incremental Revenues Potentially Available (1)	Capital Reserve Fund (2)	Lottery Monies	Dedicated Tax Increase	Offsetting Revenues (3)	Revenues Available	Additional Dollars to Surplus/ (Needed)	Estimated Incremental Tax Effect
2006	\$1,267,436	\$0	\$1,267,436	\$1,267,436	\$0	\$0	\$0	\$0	\$0	\$1,267,436	\$0	N/A
2007	\$1,010,805	\$0	\$1,010,805	\$1,267,436	\$59,160	\$0	\$350,000	\$0	\$65,000	\$1,741,596	\$730,791	--
2008	\$973,411	\$1,152,000	\$2,125,411	\$1,267,436	\$121,278	\$107,498	\$350,000	\$214,200	\$65,000	\$2,125,412	\$0	--
2009	\$739,369	\$1,669,730	\$2,409,099	\$1,267,436	\$186,502	\$325,961	\$350,000	\$214,200	\$65,000	\$2,409,099	\$0	--
2010	\$455,832	\$1,669,730	\$2,125,562	\$1,267,436	\$254,987	\$0	\$350,000	\$214,200	\$65,000	\$2,151,623	\$26,061	--
2011	\$206,916	\$1,669,730	\$1,876,645	\$1,267,436	\$326,896	\$0	\$350,000	\$214,200	\$65,000	\$2,223,533	\$346,888	--
2012	\$206,916	\$1,669,730	\$1,876,645	\$1,267,436	\$402,401	\$0	\$350,000	\$214,200	\$65,000	\$2,299,038	\$422,392	--
2013	\$206,916	\$1,669,730	\$1,876,645	\$1,267,436	\$481,681	\$0	\$350,000	\$214,200	\$65,000	\$2,378,318	\$501,672	--
2014	\$206,916	\$1,669,730	\$1,876,645	\$1,267,436	\$564,925	\$0	\$350,000	\$214,200	\$65,000	\$2,461,562	\$584,917	--
2015	\$206,916	\$1,669,730	\$1,876,645	\$1,267,436	\$652,332	\$0	\$350,000	\$214,200	\$65,000	\$2,548,968	\$672,323	--
2016	\$103,458	\$1,669,730	\$1,773,187	\$1,267,436	\$744,108	\$0	\$350,000	\$214,200	\$65,000	\$2,640,744	\$867,557	--
Capital Reserve Funds Used:						\$433,459						
Capital Reserve Funds Remaining:						\$297,333						

Notes: (1) Based upon 1/10 of growth on 1¢ for Debt Service. 1¢ = \$204,000 (FY2006). (2) Comprised of monies made available from Surplus, if any. (3) Comprised of monies for Social Services and Courthouse.



EQUIVALENT TAX IMPACT – All Phases (1-4)

- Assumes Total Real Estate Tax Increase of Six Pennies (6¢) – Three Pennies in FY 2008 and Three Pennies in FY 2009.

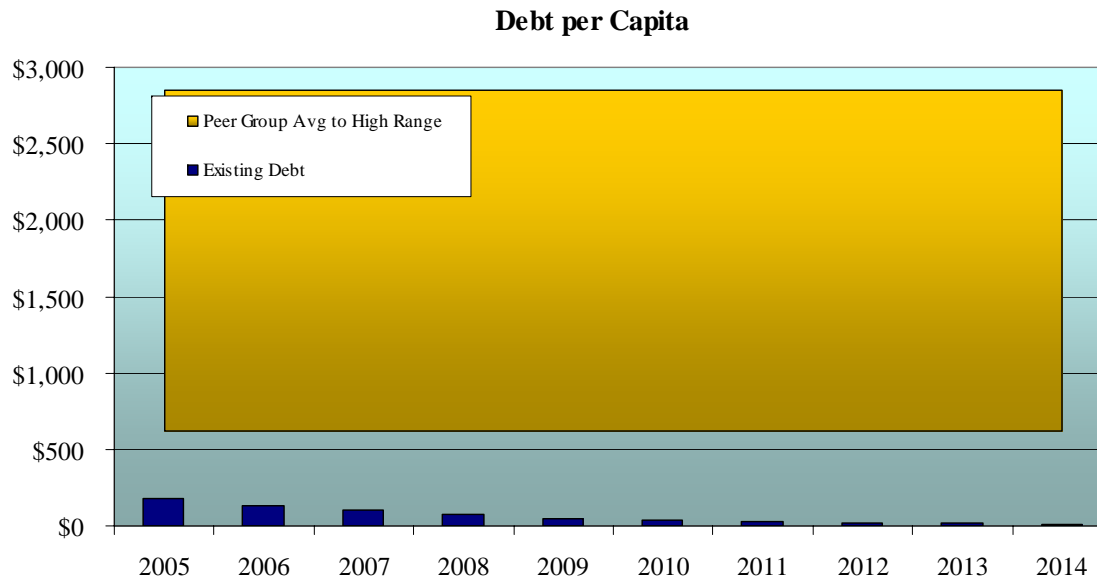
A	B	C	D	E	F	G	H	I	J	K	L	M
	Base Debt Service 1,267,436		TOTAL REQUIREMENT									
Annual Net Debt Service Payments												
Fiscal Year	Existing Debt Service	Proposed CIP Debt Service	Existing & Proposed Debt Service	FY 06 Budgeted Debt Service	Incremental Revenues Potentially Available (1)	Capital Reserve Fund (2)	Lottery Monies	Dedicated Tax Increase	Offsetting Revenues (3)	Revenues Available	Additional Dollars to Surplus/ (Needed)	Estimated Incremental Tax Effect
2006	\$1,267,436	\$0	\$1,267,436	\$1,267,436	\$0	\$0	\$0	\$0	\$0	\$1,267,436	\$0	N/A
2007	\$1,010,805	\$0	\$1,010,805	\$1,267,436	\$59,160	\$0	\$350,000	\$0	\$65,000	\$1,741,596	\$730,791	--
2008	\$973,411	\$1,152,000	\$2,125,411	\$1,267,436	\$121,278	\$0	\$350,000	\$642,600	\$65,000	\$2,446,314	\$320,903	--
2009	\$739,369	\$1,918,580	\$2,657,949	\$1,267,436	\$186,502	\$0	\$350,000	\$1,285,200	\$65,000	\$3,154,138	\$496,189	--
2010	\$455,832	\$2,310,002	\$2,765,835	\$1,267,436	\$254,987	\$0	\$350,000	\$1,285,200	\$65,000	\$3,222,623	\$456,789	--
2011	\$206,916	\$3,245,303	\$3,452,219	\$1,267,436	\$326,896	\$157,686	\$350,000	\$1,285,200	\$65,000	\$3,452,219	\$0	--
2012	\$206,916	\$3,596,523	\$3,803,439	\$1,267,436	\$402,401	\$433,402	\$350,000	\$1,285,200	\$65,000	\$3,803,439	\$0	--
2013	\$206,916	\$3,596,523	\$3,803,439	\$1,267,436	\$481,681	\$354,122	\$350,000	\$1,285,200	\$65,000	\$3,803,439	\$0	--
2014	\$206,916	\$3,596,523	\$3,803,439	\$1,267,436	\$564,925	\$270,878	\$350,000	\$1,285,200	\$65,000	\$3,803,439	\$0	--
2015	\$206,916	\$3,596,523	\$3,803,439	\$1,267,436	\$652,332	\$183,471	\$350,000	\$1,285,200	\$65,000	\$3,803,439	\$0	--
2016	\$103,458	\$3,596,523	\$3,699,981	\$1,267,436	\$744,108	\$0	\$350,000	\$1,285,200	\$65,000	\$3,711,744	\$11,764	--
					Capital Reserve Funds Used:	\$1,399,558						
					Capital Reserve Funds Remaining:	\$605,115						

Notes:

(1)	(2)	(3)
Based upon 1/10 of growth on 1¢ for Debt Service. 1¢ = \$204,000 (FY2006).	Comprised of monies made available from Surplus, if any.	Comprised of monies for Social Services and Courthouse.



EXISTING DEBT RATIOS



Source: 2005 Audit, LGC, Census Bureau

**North Carolina
Benchmarks**

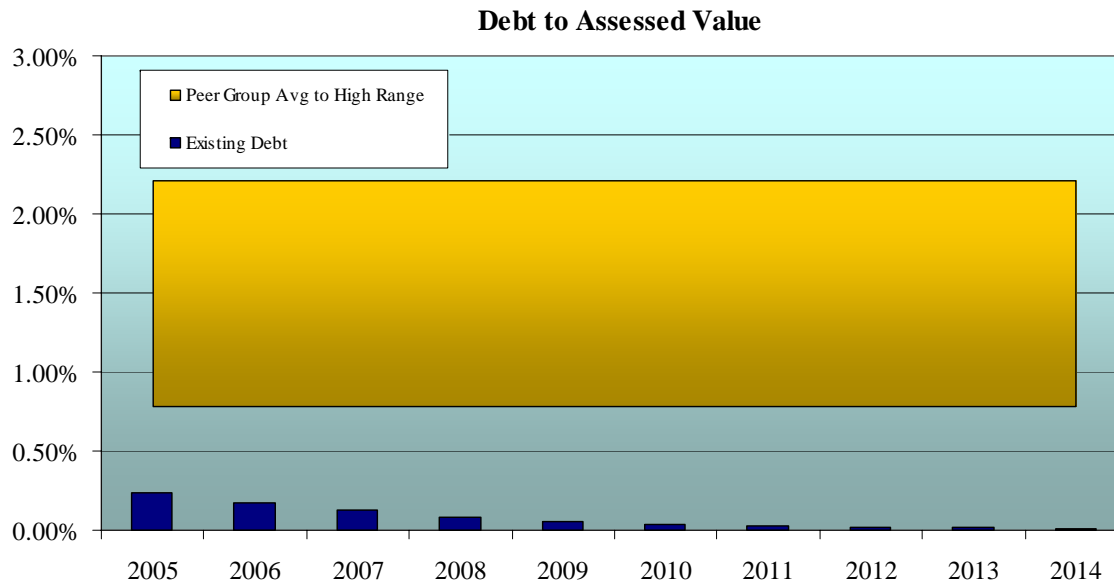
High = \$2,847

Avg. = \$625

➤ **Population Growth = 0.33%**



EXISTING DEBT RATIOS



Source: 2005 Audit, LGC

**North Carolina
Benchmarks**

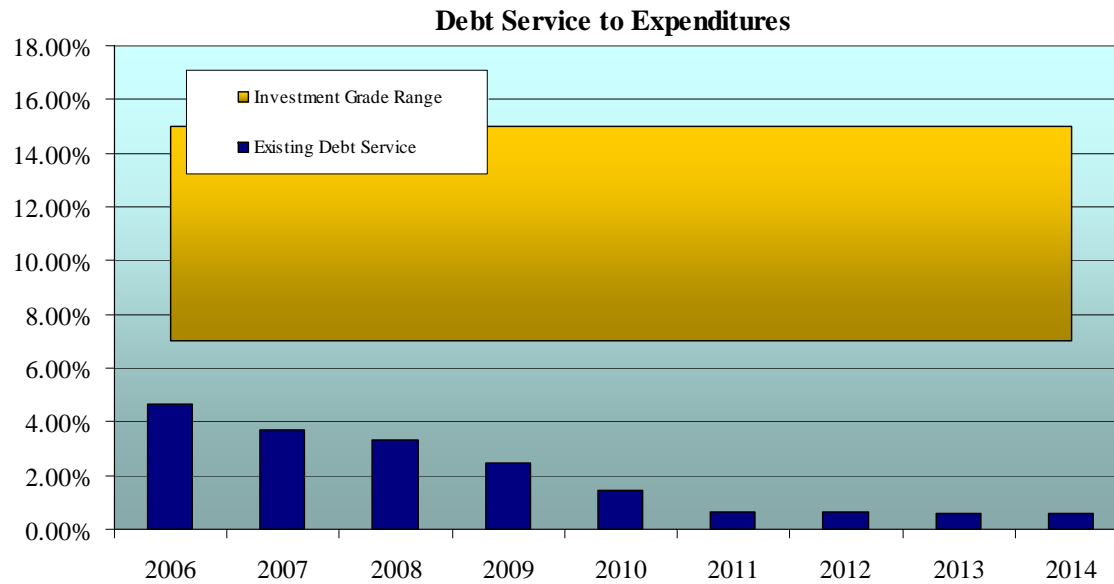
High = 2.21%

Avg = 0.78%

➤ **Assessed Value Growth = 5.00%**



EXISTING DEBT RATIOS



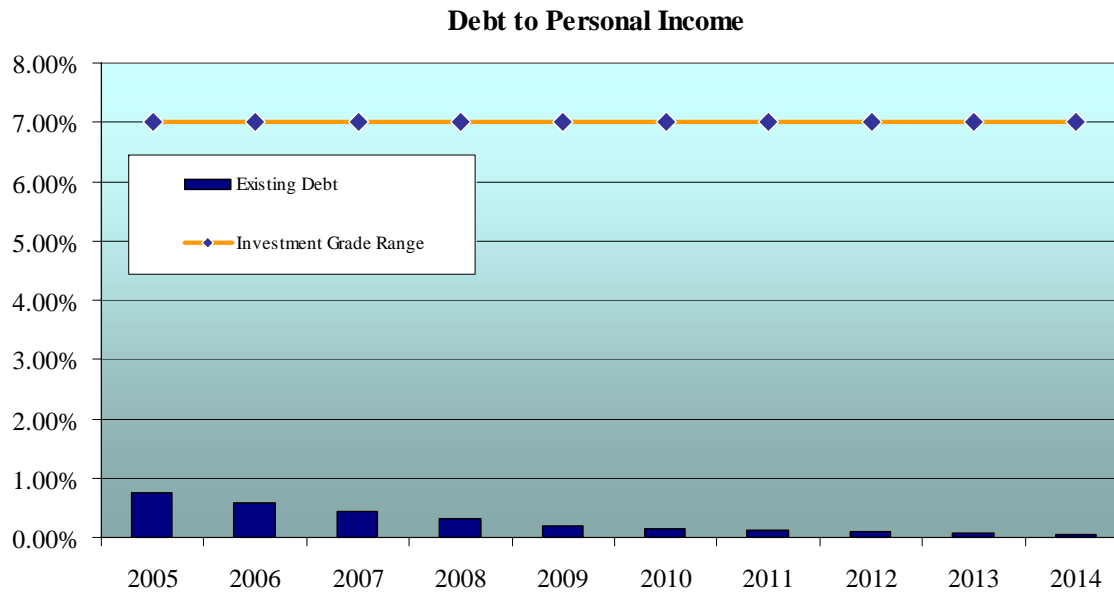
Source: 2005 Audit, LGC

**North Carolina
Investment
Grade Range =
7.0% - 15.0%**

➤ **Expenditures Growth = 2.07%**



EXISTING DEBT RATIOS



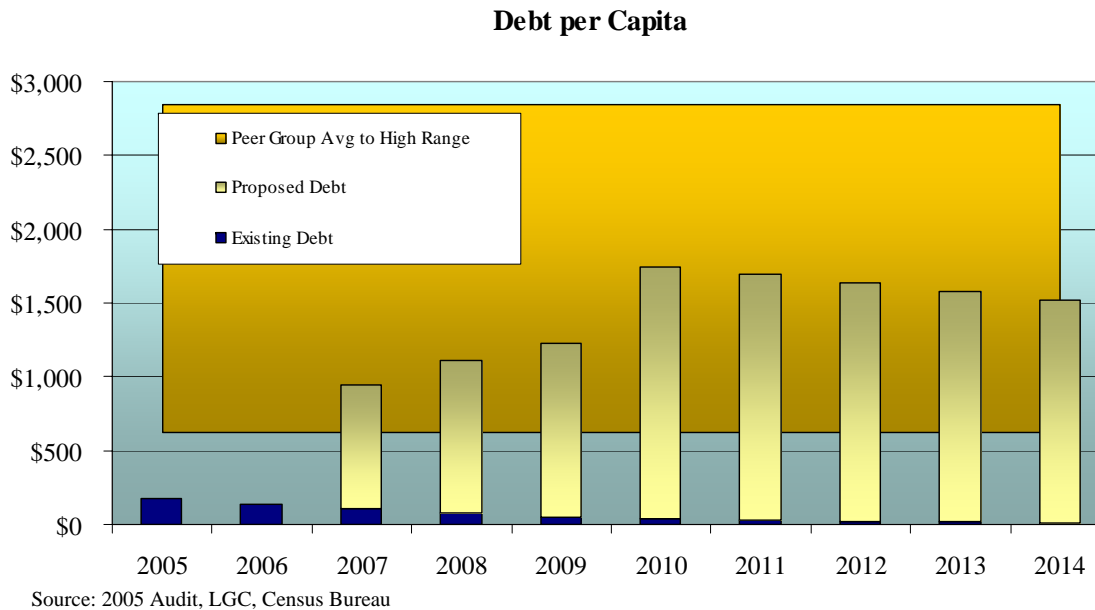
Source: 2005 Audit, LGC, Bureau of Economic Analysis

**North Carolina
Investment
Grade Range
Maximum =
7.0%**

➤ **Income Growth = 1.79%**



EXISTING & PROPOSED DEBT RATIOS – All Phases



**North Carolina
Benchmarks**

High = \$2,847

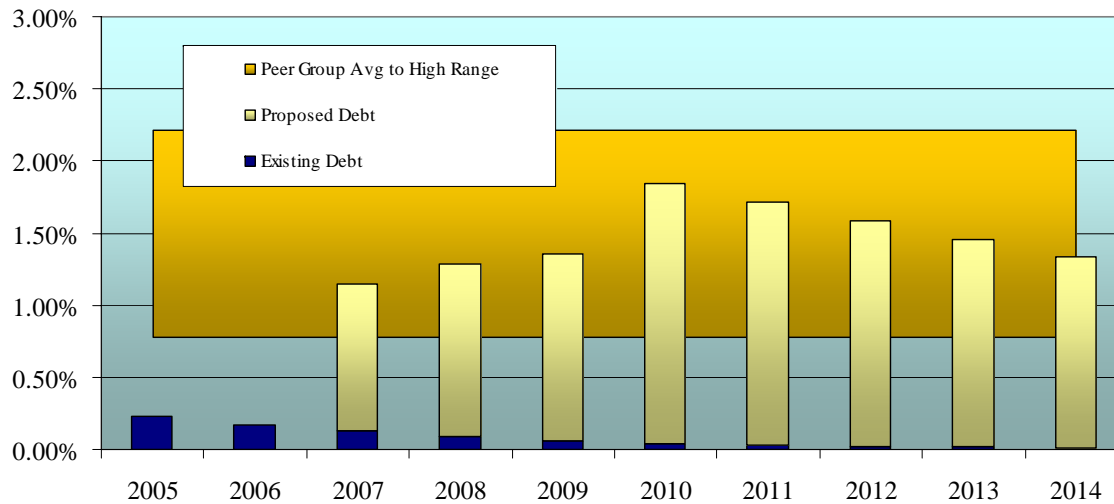
Avg. = \$625

➤ **Population Growth = 0.33%**



EXISTING & PROPOSED DEBT RATIOS – All Phases

Debt to Assessed Value



Source: 2005 Audit, LGC

**North Carolina
Benchmarks**

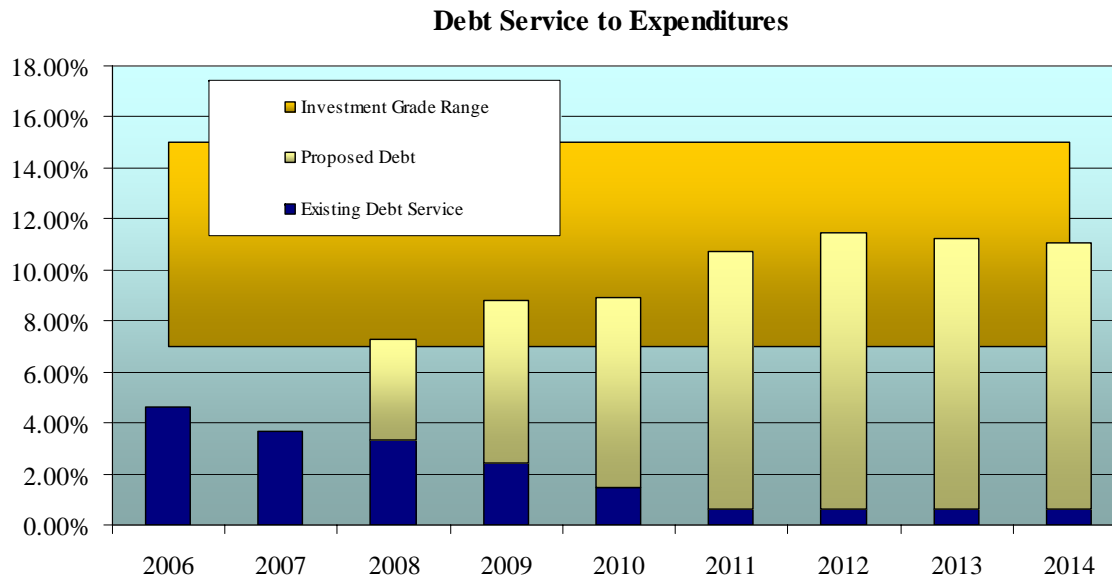
High = 2.21%

Avg = 0.78%

➤ **Assessed Value Growth = 5.00%**



EXISTING & PROPOSED DEBT RATIOS – All Phases



Source: 2005 Audit, LGC

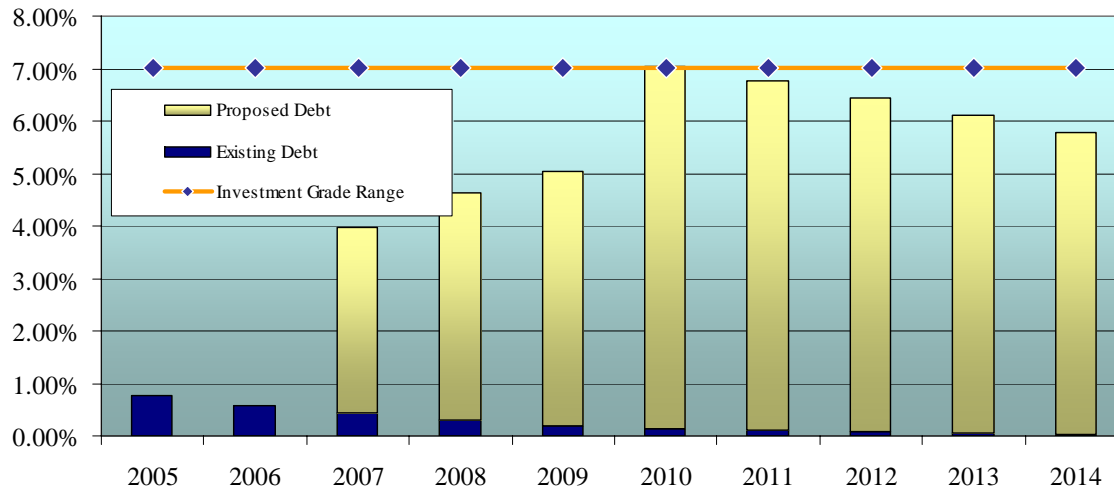
**North Carolina
Investment
Grade Range =
7.0% - 15.0%**

➤ **Expenditures Growth = 2.07%**



EXISTING & PROPOSED DEBT RATIOS – All Phases

Debt to Personal Income



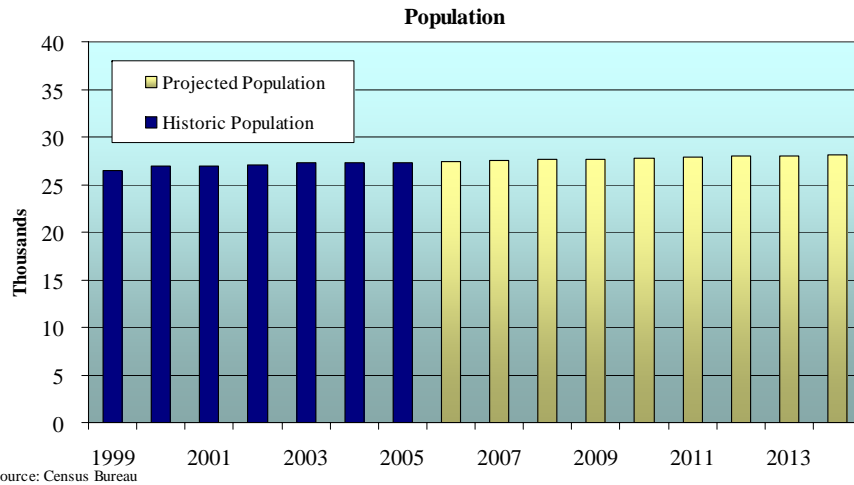
Source: 2005 Audit, LGC, Bureau of Economic Analysis

**North Carolina
Investment
Grade Range
Maximum =
7.0%**

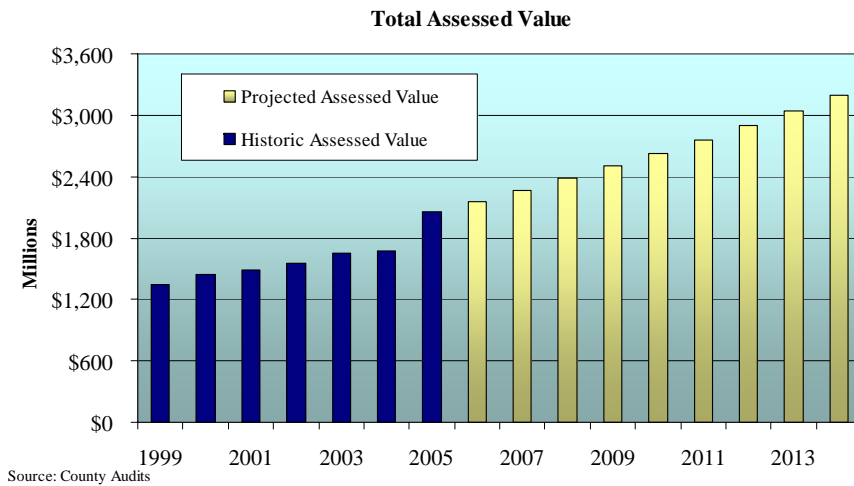
➤ **Income Growth = 1.79%**



HISTORIC AND PROJECTED GROWTH TRENDS



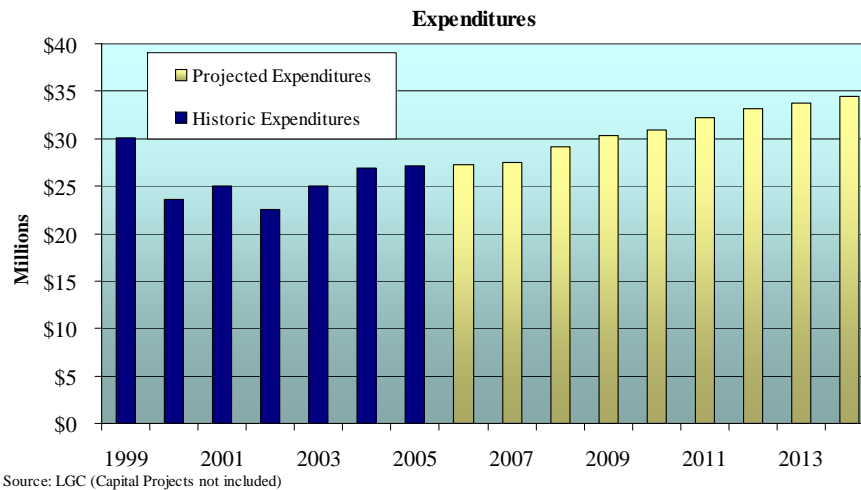
Growth Rate	0.33%
5-Year Avg.	0.33%
10-Year Avg.	0.87%



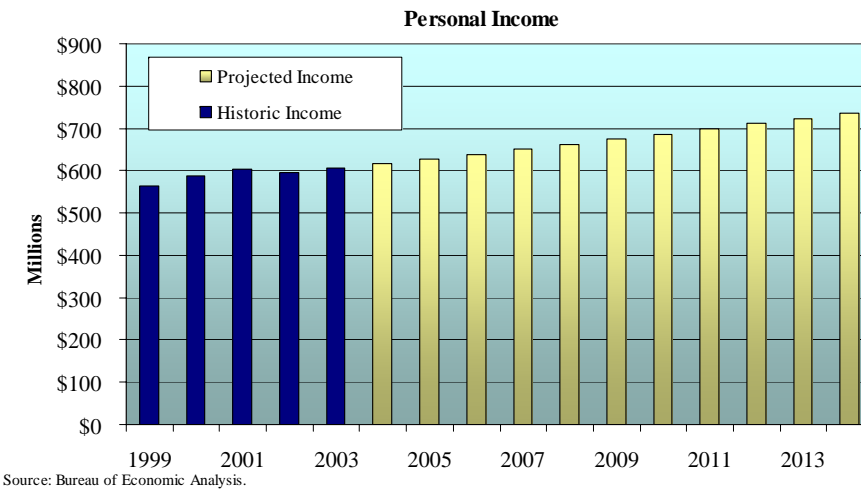
Growth Rate	5.00%
5-Year Avg.	8.47%
10-Year Avg.	N/A



HISTORIC AND PROJECTED GROWTH TRENDS



Growth Rate	2.07%
5-Year Avg.	2.07%
10-Year Avg.	N/A



Growth Rate	1.79%
5-Year Avg.	1.79%
10-Year Avg.	4.77%