



MEMO

To: Gary B. O'Connell, Executive Director
Board of Directors

From: Lisa L. Breedon, Finance Director *llb*

Date: James M. Bowling, IV

Date: August 12, 2010

Re: Financial Advisor – Introduction and Presentation

Mr. David Rose and Mr. Courtney Rogers of Davenport & Company LLC will be in attendance to discuss their approach to providing the Authority with financing alternatives for funding the developers' portion of the North Fork Regional Pump Station Project. We are looking to have recommendations for the Board at the October 21st meeting.

Attachment

DAVENPORT
& COMPANY LLC

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**One James Center
901 East Cary Street
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Presentation to:



August 19, 2010

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1. BACKGROUND

- The Albemarle County Service Authority (the “Authority”) is planning to fund a pump station at North Fork. The actual bids will be received in mid-October 2010 and awarded at the October Board Meeting (Oct. 21st). For planning purposes, it is estimated that the Authority will borrow approximately \$12 million.
- Davenport & Company LLC (“Davenport”) was retained following a competitive process as Financial Advisor to the Authority to assist in the execution of funding for the North Fork Regional Pump Station (the “Project”).
- Davenport, in cooperation with Authority staff, has prepared herein a timetable for action involving the funding of the Project.

2. GOALS AND OBJECTIVES

- The Project and associated interest costs will be repaid with future connection fees of the Authority.
- The optimal Plan of Finance should be flexible enough so that any unforeseen surprises in future connection fees will have a minimal adverse impact on the Authority's operations and user rate structure.
- Interest rates are at or near 40-year lows. Therefore, a Plan of Finance should try to take advantage of this interest rate environment so that the Authority can lock-in favorable fixed rates for a significant portion or all of the duration of any planned loan.
- Develop a timetable that coincides with the Authority's bid/award process so that the correct amount of funds are available when needed to begin construction.

3. POTENTIAL PERMANENT FINANCING OPTIONS

- Two main funding approaches exist for the Authority. They are:
 - Public Offering
 - vs.
 - Private Offering

- Within the two main funding approaches, the Public Offering has several sub-choices. These are:
 1. Stand-Alone issuance of the Authority (based solely upon credit rating(s) of the Authority); or,
 2. State Offered Pool Program- Virginia Resources Authority (“VRA”) (Credit based upon the VRA ratings and not the Authority per se).

- With regard to the Private Offering (also known as a Bank Private Placement) the Authority would most likely not need to apply for new credit rating(s).

4. FINANCING OPTIONS- KEY CONSIDERATIONS

- Irrespective of the financing option selected, the Authority will need to revisit and possibly refresh its Bond Indenture to coincide with the evolving credit markets. Davenport and staff will work closely with Bond Counsel, Hunton & Williams, to complete this process.
- Determine the expected stand-alone credit rating(s) of the Authority in the event a publicly offered option is pursued. There is a strong possibility that this will be required by VRA given the recent national credit market environment.
- Davenport would work with staff and the rate consultants, Municipal & Financial Services Group, to review and refine, if necessary, the multi-year pro-forma which illustrates the potential user rate impact(s) on the overall multi-year capital program including the Project to be immediately financed.

5. PROPOSED TIMETABLE



Albemarle County Service Authority

<u>Date</u>	<u>Key Event</u>
Early August	Davenport and staff confer with Hunton & Williams about updating the Bond Indenture as discussed previously.
August 19	Davenport and staff brief the Board on the process for obtaining funds for the Project.
August 20 - Early September	Davenport with staff develop a pro-forma to include in the Request for Proposals to be sent to banking institutions.
On/About September 1	Updated Bond Indenture is available as part of the legal document(s) to be reviewed by potential lenders.
September 10	Mail Request for Proposals to banking institutions.
October 4	Evaluate the RFPs to include, among others: <ul style="list-style-type: none">– Competitiveness of interest rate(s)– Duration of interest rate term(s)– Call provision(s)– Call penalties, if any– Specific covenant requirements, including levels of fund reserves and debt service coverage– Security requirements (e.g. Pledge of revenues, collateral)– Relative closing cost, etc.

PROPOSED TIMETABLE (CONTINUED)



Albemarle County Service Authority

<u>Date</u>	<u>Key Event</u>
Week of October 4 through October 8	Davenport evaluates all options and prepares a written report with recommendations for the optimal funding strategy.
October 12	Davenport meets with staff to discuss options and “next steps” for the upcoming October 21 Board Meeting.
October 12 - October 14	Davenport prepares Board presentation to be included in Board Packet.
October 14	Board Packets are mailed including Davenport presentation.
October 21	Board Meeting: Davenport and staff present funding options and relevant next steps.
Post October 21	1 st Either move to close on/about Nov. 4 with a private placement, or 2 nd Prepare a standalone issue to be closed by year end, or 3 rd Pursue short-term funding and apply for the VRA Spring 2011 pool issuance.