

Capital Funding Options for a Police Facility

Town of Purcellville, Virginia



October 21, 2020

- The Town has identified the need to address the immediate and long-term adequacy of its facilities for the Police Department.

- Two potential options are contemplated herein:
 1. Lease Arrangement of up to 10 years; or,

 2. A permanent new facility owned by the Town.

- Davenport, in our capacity as Financial Advisor to the Town, has developed a comparative financial analysis of the two options.

Key Assumptions



■ Lease Approach

- Annual Cost to the Town = \$200K irrespective of the term of the lease (i.e. 3, 5, 7, 10 years)
- Irrespective of the term, a roughly \$1 million capital investment is needed to retrofit any leased space
- The capital investment will add \$100,000 to \$200,000 per year to the annual cost
- This results in a total annual cost of \$300,000 to \$400,000 for the next 5 to 10 years

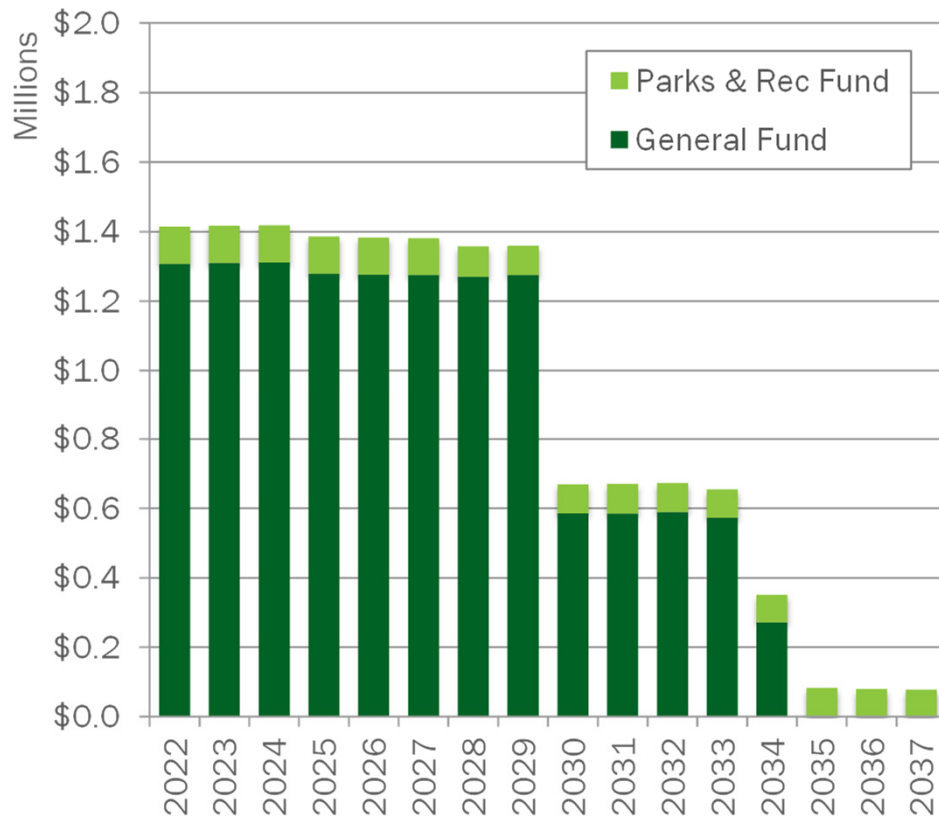
■ Permanent Financing

- The construction cost is estimated at \$6.4 million
- For planning purposes this analysis assumes a \$7 million financing
- A fixed 25 year borrowing rate of 3.5% is assumed for planning purposes
- This equates to an annual payment of roughly \$425,000
- If the Town were to wait 5 years to design and bid the facility, Moseley has estimated the project cost would increase to roughly \$8.1 million due to the expectation of inflation
- For planning/discussion purposes, this equates to an approximately \$515,000 annual payment assuming the same 3.5% interest rate and a \$8.5 million borrowing

Existing Town Tax Supported Debt Profile



- The Town will have approximately \$12.8 million of outstanding Tax Supported Debt (i.e. General Fund + Parks & Rec Fund) at the end of FY21.
- All of the debt is fixed rate and paid in fixed annual installments.



Total Tax-Supported Debt Service			
Fiscal Year	Principal	Interest	Total
Total	\$12,775,000	\$1,599,949	\$14,374,949
2022	\$1,097,000	\$316,732	\$1,413,732
2023	1,139,000	278,166	1,417,166
2024	1,201,000	216,810	1,417,810
2025	1,212,000	174,136	1,386,136
2026	1,249,000	133,539	1,382,539
2027	1,266,000	115,511	1,381,511
2028	1,260,000	97,217	1,357,217
2029	1,283,000	76,908	1,359,908
2030	613,000	56,172	669,172
2031	625,000	45,950	670,950
2032	638,000	35,405	673,405
2033	630,000	24,626	654,626
2034	337,000	13,906	350,906
2035	75,000	7,418	82,418
2036	75,000	4,965	79,965
2037	75,000	2,490	77,490

Initial Observations



- Beginning in FY2022, the Town's long term tax supported debt payment is approximately \$1.4 million per year through the balance of the decade.

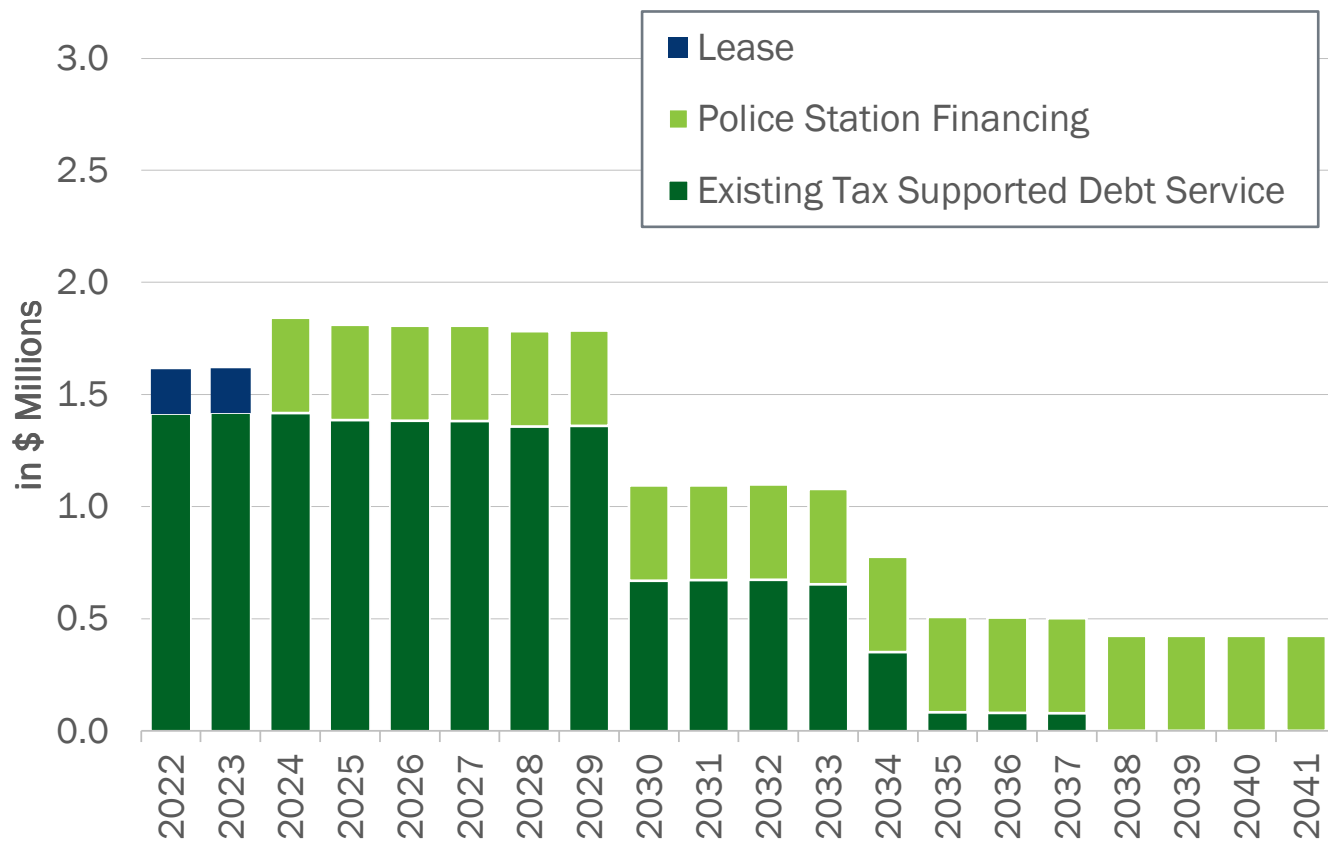
- Either the Lease Approach or the Permanent Financing will add approximately \$300,00 to \$400,000 per year to this amount.

- Under a permanent financing, the Town could structure debt payments to strategically and responsibly layer in the debt so that annual increases could be roughly equal between a Lease Approach and a Permanent Financing approach.

Existing Debt Profile + 2 yr lease + Permanent Financing



- Assumes a \$200,000 lease payment in FY2022 to FY2023 (assumes no need for \$1mm capital investment)
- Assumes debt service on a \$7 million financing beginning fully in FY2024 @ 3.5%

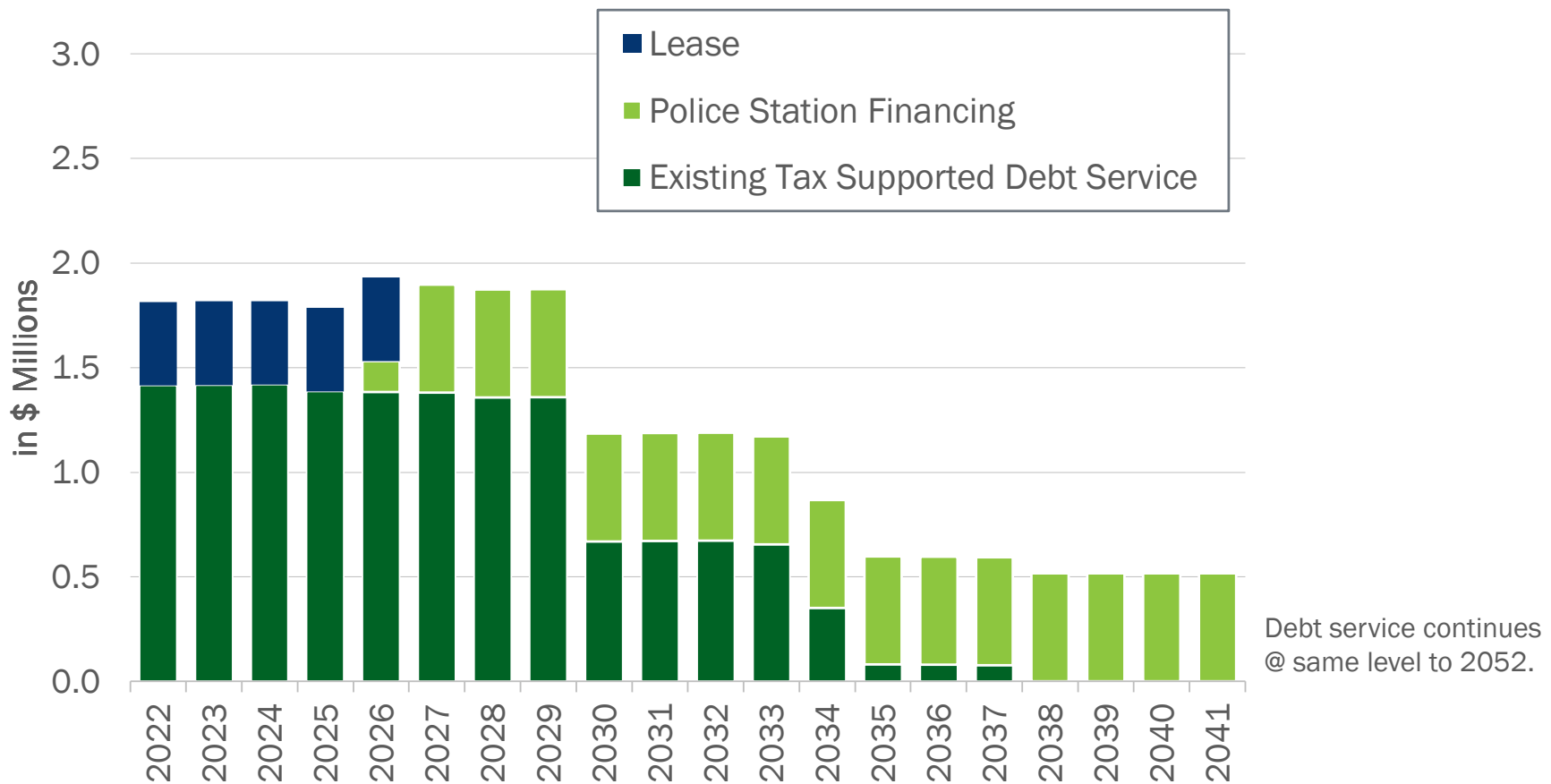


Debt service continues @ same level to 2049.

Existing Debt Profile + 5 yr lease + Permanent Financing



- Assumes a \$400,000 lease payment in FY2022 to FY2026 (i.e. inclusive of \$1 mm capital requirement)
- Assumes debt service on a \$8.5 million financing beginning fully in FY2027 @ 3.5%



Key Considerations



- Interest rates are at/near 50 year lows.
- The Town has not borrowed any new money for capital projects since roughly 2012 (i.e. approx. 8 years).
- The Town enjoys “Aa/AAA” range credit ratings which reflect the strength of its annual financial results for the General Fund.
- Pursuing a permanent funding now could be less costly to the Town over the life of the options discussed herein.

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