

# Washington County, Virginia

## Analysis of Courthouse Funding Options



May 28, 2019

# Background/Goals & Objectives

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- Washington County (the “County”) is considering potential options for undertaking major capital investment its Court facilities due to the following reasons:
  - The County’s existing Court facilities are old (originally built in 1869 with additions/renovations in 1929, 1950 and 1990) and are not able to provide sufficient space/infrastructure to meet current and future demand for Court services.
  - The County is required by state law to provide Court facilities:
    - *“Although the Courts are state courts with judges and staff being paid by the State, the communities they serve are required by law to provide them “adequate” facilities.” – Virginia Courthouse Facility Guidelines, Revised February, 2015.*
  
- Options under the County’s consideration include investment in renovated and/or New Court Facilities in their current location or investment in an Adaptive Reuse of an Existing Facility in an alternative location.
  - If the County determines that it is in its best interest to move the Court facilities from their existing location, a referendum would be necessary to approve such move.
    - *This is not a referendum on whether or not do a Court Facility, but rather to do it in the most cost effective way.*

# Background/Goals & Objectives

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- Davenport & Company (“Davenport”), in our capacity as Financial Advisor to the County, has been tasked with evaluating the relative cost of 3 potential Courthouse Funding Options, which are as follows:

Option **1** Construction of a New Courthouse.

Option **2** Renovation of the Elliott Building for 10 years followed by the Construction of a New Courthouse.

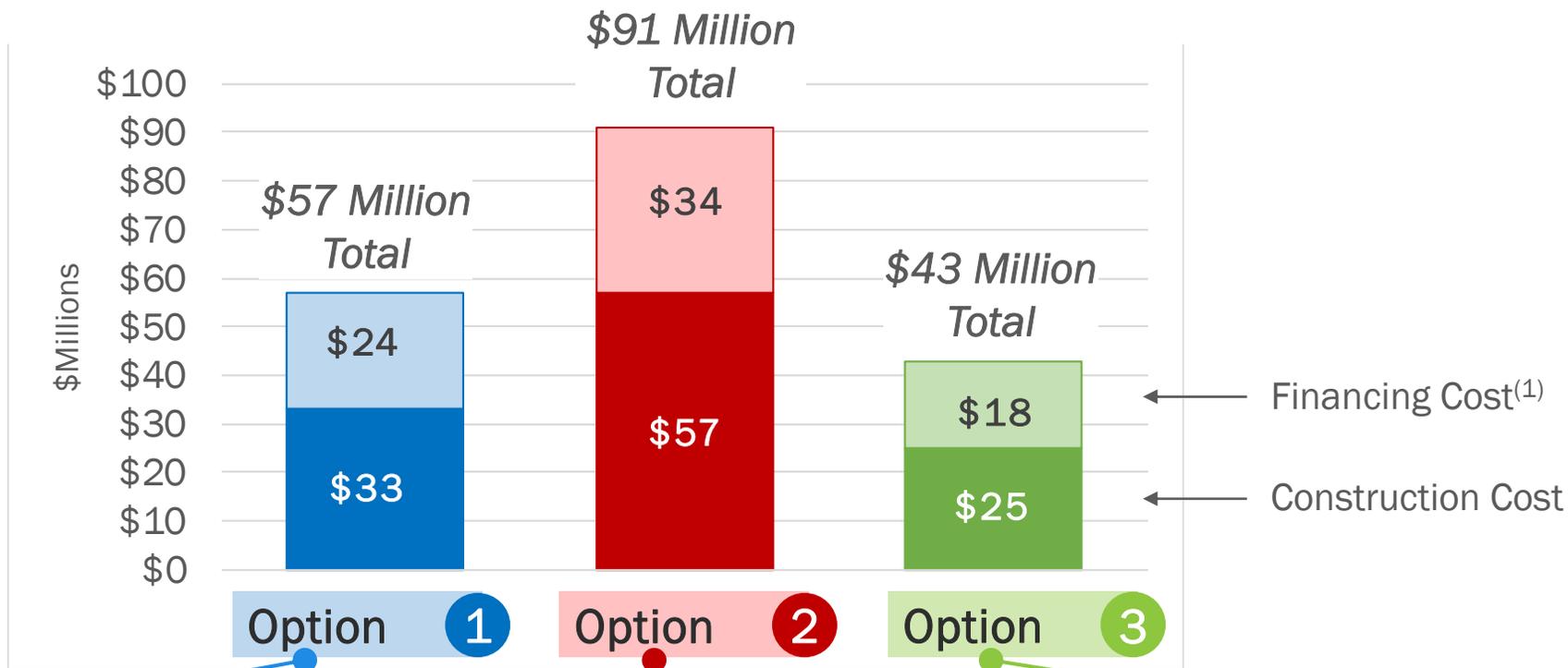
Option **3** Pending a successful referendum, the Adaptive Reuse of an Existing Facility.

- In addition, Davenport has also:

- Reviewed the County’s financial health to determine the reasonableness of moving forward with a Courthouse Funding Project; and
  - Developed a preliminary time table of next steps with respect to the recommended Courthouse Funding Option.
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# Courthouse Funding Options – Estimated Total Cost



Option 1: Construction of a New Courthouse

Construction of New Courthouse @ \$33<sup>(2)</sup> Million Construction Cost

Option 2: Renovation of the Elliott Building

Short-term renovation @ \$15 Million<sup>(3)</sup>; followed by construction of New Courthouse @ \$42<sup>(3)</sup> Million Construction Cost.

Option 3: Adaptive Reuse of an Existing Facility

Adaptive Reuse of Existing Facility @ \$25 Million Acquisition and Construction Cost.

(1) Options 1&3 Financing Cost assumes 25 Year financing at 4.75%; Option 2 Financing Cost assumes 10 year financing at 4.00% for renovation followed by 25 Year financing at 4.75% for New Courthouse. (2) \$31 Million escalated @ 3%/year for 3 years (3) \$14 Million escalated @ 3%/year for 3 years & \$31 Million escalated @ 3%/year for 10 years

# Davenport Recommendation

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- Based on Davenport's analysis of the Courthouse Funding Options under consideration by the County, we recommend that the County pursue Option 3 (Adaptive Reuse of an Existing Facility) for the following reasons:
    - The Adaptive Reuse of an Existing Facility, saves the County tens of Millions of Dollars in both Construction and Financing Costs.
  
    - Option 3 is the most affordable from a budgetary perspective and results in less than an equivalent  $\frac{1}{2}$  to  $\frac{3}{4}\phi$  impact on the County's budget depending on interest rates. (Approximately \$200,000 to \$300,000)
  
    - The County has a very favorable financial and debt profile that enables it to undertake the Courthouse financing.
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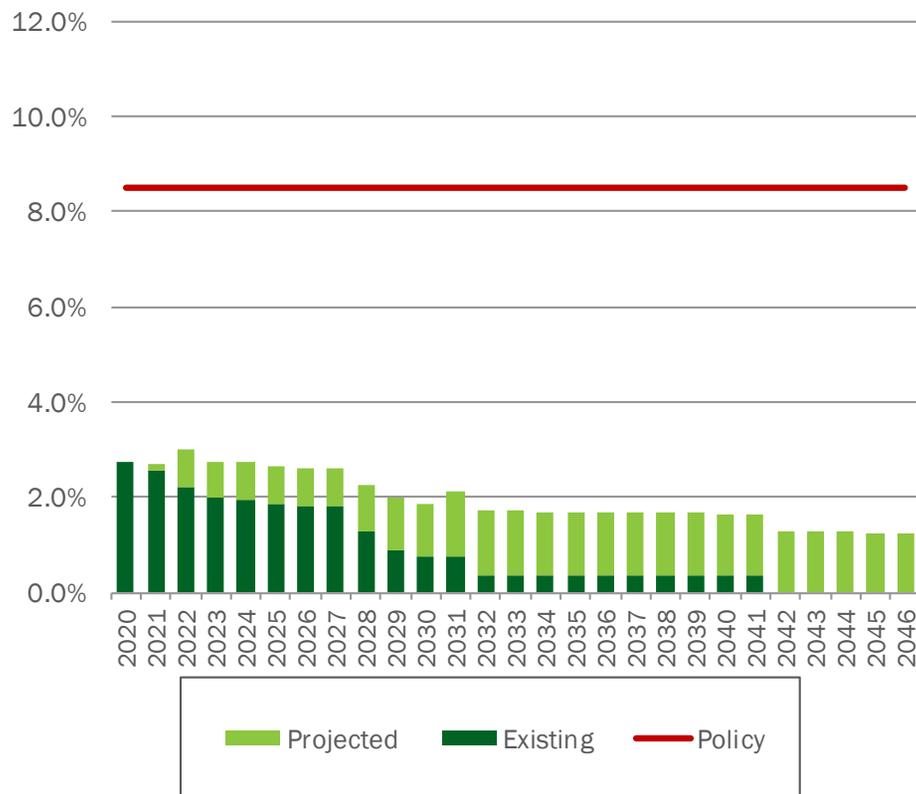
# Option 3 | Debt Service as a % of Expenditures | Comparative



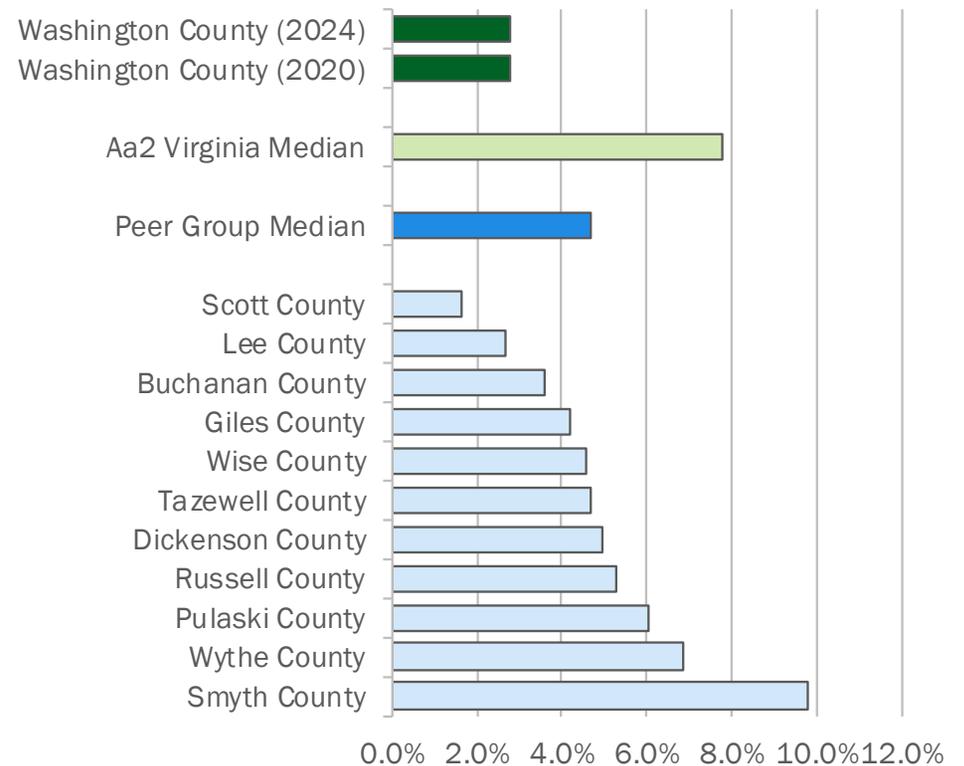
- The County's debt service as a percentage of expenditures remains stronger than the Peer Group and Virginia "Aa2" medians after the addition of the Courthouse Funding.

(Existing and Projected Debt)

Debt Service as a % of Governmental Expenditures



Debt Service as a % of Expenditures

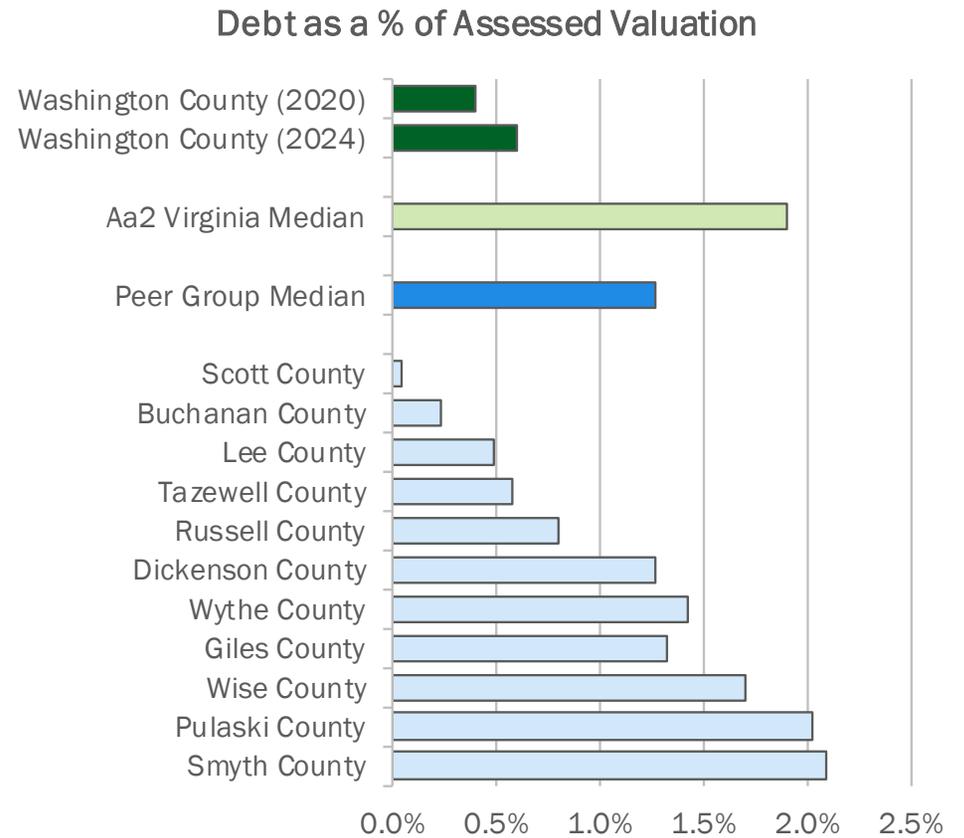
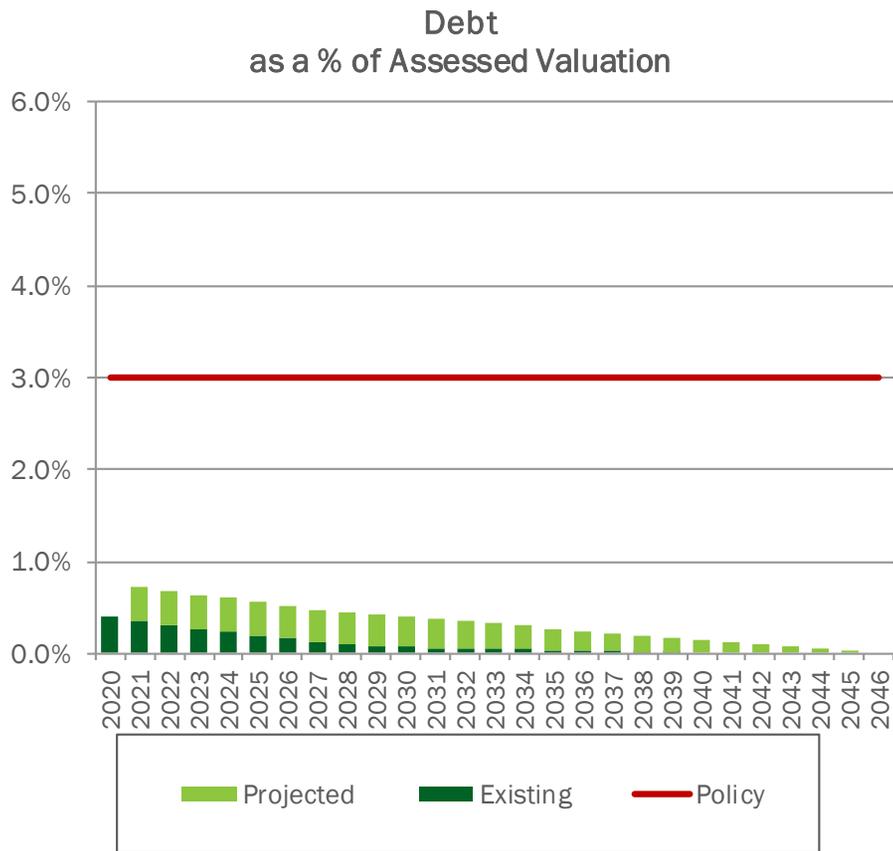


# Option 3 | Debt as a % of Assessed Valuation | Comparative



- The County's Debt as a Percentage of Assessed Valuation remains stronger than the Peer Group and Virginia "Aa2" medians after the addition of the Courthouse Funding.

(Existing and Projected Debt)



# Next Steps

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- Summer 2019:
    - County/Davenport interaction with the National Credit Rating Agencies to re-affirm the County's strong credit standing, while taking into consideration new Courthouse Funding.
  
  - November 2019:
    - Voter Referendum for consideration of moving the Court facilities to a new location as contemplated under Option 3.
  
  - End of Calendar Year (CY) 2019/Early CY 2020:
    - Obtain funding for the initial land and development costs.
  
  - Balance of CY 2020/Early CY 2021:
    - Obtain the balance of the necessary funding for Option 3 once bids are received and a total Project cost is known.
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