
Project Financing

PRELIMINARY ESTIMATE AND ESTIMATING METHODOLOGY

A preliminary estimate has been developed for the purpose of analyzing the feasibility of and developing a funding plan for this project. The costs included in Appendix C of this proposal are purely budgetary numbers. Basic assumptions have been made and a level of contingency has been included to establish upper ranges. Further detail regarding the project estimation and estimating methodology is included in Appendix C.

PLAN FOR FINANCING AND OPERATION OF THE PROJECT

The Project Team is prepared to provide assistance to the County during the interim phase to include:

- **Short-term Interim Financing:** Determine the amount of interim financing needed and the period of time over which the financing will be required.
- **Long-term Financing:** Explore options for long-term financing and assist the County with applications for funding from any of the following public funding sources:
 - Rural Development
 - Virginia Department of Housing and Community Development
 - Tobacco Commission
 - Virginia Department of Health
 - Virginia Resources Authority
- **Modeling:** Prepare financial model to illustrate projected revenue and expense scenarios under various conditions.
- Provide results of the financial models to the County's financial advisor in order that the financial advisor can forecast the impacts on the county tax rate under various scenarios.
- If the County chooses to issue bonds for the project, the Project Team is prepared to provide information, as requested by the County's financial advisor, in preparation for the bond issuance.

LIST AND DISCUSS ASSUMPTIONS

During the interim agreement phase of the project, the Project Team will provide additional information to the funding agencies listed above in order to determine which agencies are willing or able to provide funding for the project.

Based on preliminary discussions with the funding agencies listed above, there may be some grant financing available for the project and loan rates could range from approximately 2.75% for Rural Development loan funds to the market rate for revenue bonds. It is assumed that the long-term financing for the project will be for 20, 30, or 40 years.

IDENTIFY THE PROPOSED RISK FACTORS AND METHODS FOR ASSESSING

Financial risks include:

- Terms and conditions of the proposed financing may differ from the assumptions;
- The growth and development projected for the service area may not occur, or may occur at a pace that is different from the projections.

IDENTIFY ANY LOCAL, STATE, OR FEDERAL RESOURCES

No state or federal resources are currently committed to fund the project. The Project Team proposes to further consider submittal of funding applications to Rural Development, Virginia Department of Health, the Virginia Department of Housing and Community Development and the Tobacco Commission. It is assumed that funding from any of these sources will be committed before the construction of the proposed facilities begins. Additionally, any state or federal funding source may not fund the entire project, it is anticipated that County-issued bonds will finance the balance of the project costs.

IDENTIFY REVENUE SOURCES FOR THE PROJECT

In order to pay the operation costs of the project, it is assumed that the system users will pay rates and fees in accordance with an adopted fee and rate schedule. Further, it is anticipated that County funds will be used to support debt service for the initial years of the project.

TAX-EXEMPT FINANCING

It is assumed that the proposed project will qualify for tax-exempt financing and there is no known reason or condition that would disqualify the project from obtaining tax-exempt financing.

SUMMARY

Some of the issues resolved during the interim agreement phase will further refine project costs. During this phase, the Project Team will be working with the County to complete a detailed analysis of the financial impacts of the project. The analysis is one of the items that will be provided to the funding agencies in support of requests for funding assistance and will be provided to the County's financial advisor for input regarding any impacts to the general funds as a result of this project.