STAFFORD Virginia

25

BOARD OF SUPERVISORS
Agenda Item

Meeting Date:	May 19, 2015
Title:	Authorize Financing for Construction of a Landfill Cell at the Rappahannock Regional Landfill
Department:	County Administration
Staff Contact:	Keith C. Dayton, Deputy County Administrator
Board Committee/ Other BACC:	Rappahannock Regional Solid Waste Management Board (R-Board)
Staff Recommendation:	Approval
Budget Impact:	See Background Report
Time Sensitivity:	N/A

ATTACHMENTS:

1.	Background Report	3.	Proposed Resolution R15-140
2.	Memo dtd March 10, 2015		

	Consent Agenda		**Other Business**		**Unfinished Business**
	Discussion		**Presentation**		**Work Session**
	New Business	X	**Public Hearing**		**Add-On**

REVIEW:

X	County Administrator	
X	County Attorney	
X	Finance and Budget	

DISTRICT:	Aquia

Attachment 1
R15-140

BACKGROUND REPORT

The landfill cell currently in use at the Rappahannock Regional Landfill (Landfill) is expected to be filled in late 2015. Once the current cell is filled, there will be no remaining capacity to receive solid waste from residents and businesses in the City of Fredericksburg and the County. Rappahannock Regional Solid Waste Management Board (R-Board) staff completed the design of the next cell (Cell F-2) in anticipation of having it completed and operational prior to exhausting the capacity of the current cell. The construction of Cell F-2 will provide approximately seven years of solid waste capacity.

Following completion of the design, the project was offered for public bid. Five bids were received in response, with the lowest responsive bid received from T&K Construction, in the amount of $5,062,968. Construction of Cell F-2 also requires the purchase of wetland mitigation credits, in the amount of $98,481 to compensate for the unavoidable loss of wetlands resulting from the construction of Cell F-2. As a result, construction costs total $5,169,449, exclusive of engineering support during construction.

The R-Board also considered options to fund the construction of Cell F-2. Although the R-Board has adequate reserves to fund Cell F-2 construction, these reserves have been set aside to fund the closure and post closure costs required when a cell has been filled and no longer in service. The R-Board has three closed cells which require extensive capping procedures, long-term monitoring, and maintenance expenses.

The R-Board determined that using financing obtained from the Virginia Resources Authority (VRA), combined with a limited use of reserves from the R-Board's reserve fund, would be fiscally responsible. The funding strategy approved by the R-Board is summarized in the table below.

R-Board Cash Reserves	$1,069,449
Stafford County Financing	$2,050,000
Fredericksburg Financing	$2,050,000
Total	$5,169,449

Additional details on this approach, as recommended by the County's financial advisors in consultation with Maria Perrotte, Chief Financial Officer, are in Attachment 2.

The R-Board does not have the authority to incur debt. Consequently, the participating localities must secure financing on behalf of the R-Board. The debt service would be funded by user-fees for solid waste services. Due to the nature of the funding, the additional debt would not affect the debt service limits policy established by the Board.

At the time the Board authorized the public hearing in April, staff was finalizing the potential structure of the loan, and was still coordinating with the City regarding its share of the construction cost. To allow flexibility for uncertainty in issuance structure and issuance costs, staff advertised a "not to exceed" amount of $2.5 million in the local newspaper. This flexibility allows the County to minimize the cost for the financing should there be changes in bond market conditions at the time these bonds are offered.

As with other financings, this would not increase the project costs or debt service costs. If the bonds sell at a discount, meaning less than the par amount is received so the borrowed amount is higher, there

would be a corresponding decrease in the interest rate. And the net amount available for the project would remain at $2.05 million.

Having determined that the debt will be backed by a revenue source, with the City and County each financing half of the necessary funding through VRA, and each locality assuming responsibility for its share of the debt issuance costs, the not to exceed amount for the total financing and debt issuance costs for the County could be lowered to $2.25 million, from the amount advertised of $2.5 million.

The public hearing was advertised in the "not to exceed" amount on May 5th and 12th as required by The Code of Virginia. A second advertisement was inadvertently included in the County's consolidated public hearing ad at the net financing amount of $2.05 million. Staff has confirmed with the County's bond counsel, McGuire Woods, that the public hearing has been properly advertised and may proceed as scheduled.

Staff recommends approval of proposed Resolution R15-140, which authorizes the bonds in the approximate amount up to $2,250,000, and budgets and appropriates the proceeds.

STAFFORD Virginia

Board of Supervisors
Gary F. Snellings, Chairman
Laura A. Sellers, Vice Chairman
Meg Bohmke
Jack R. Cavalier
Paul V. Milde, III
Cord A. Sterling
Robert "Bob" Thomas, Jr.

Anthony J. Romanello, ICMA-CM
County Administrator

To: R-Board

From: Maria Perrotte, CFO
Stafford County, Virginia

Date: March 10, 2015

Subject: **Cell F-2 Construction Financing Strategy**

The R-Board is considering multiple options for future operations, including the construction of Cell F-2. If, after consideration of the various options, the R-Board elects to construct Cell F-2 at this time, there are also a number of options available for funding the $5,161,449 necessary for the project.

After consultation with our financial advisors, staff recommends the following financing approach:

From the R Board year-end total available reserve fund balance, set aside the amount necessary to fund the estimated closure costs for previously closed cells, including Cell F-1, and then set aside a liquid reserve equivalent to 90 days of operating costs.

The remaining portion of the reserve fund balance could then safely be applied to the construction of Cell F-2, with the balance of the project costs borrowed in VRA's summer pooled bond sale. Preliminary discussions with VRA indicate their willingness to finance the construction of Cell F-2. We would strive to structure the financing without a direct backstop from the City and County, although some level of financial reassurance is likely. We feel comfortable that the financing will not require a reduction in the County's CIP, although our understanding of the City's funding position is limited.

Assuming a year-end liquid reserve fund balance of $5,975,000, closure costs of $3,833,000 and operating reserve of $1,075,000, there is a reserve fund balance of $1,067,000 for Cell F-2 construction. The project would then require debt of $4,094,000. The resulting total annual debt service at 5% interest is estimated at $716,000 over a 7 year period, with each million in loan proceeds resulting in debt service of about $175k. It is likely that the actual interest rate will be somewhat lower than the example provided herein. A funding plan which identifies revenues sufficient to cover the debt service would help in keeping the liability off of the localities account.

While other options are available to the R-Board, the strategy provided above reduces the debt burden on the localities while providing for sufficient liquid reserve funds to address unexpected situations.

MJP:kd

R15-140

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

RESOLUTION

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, George L. Gordon, Jr., Government Center, Stafford, Virginia, on the 19th day of May, 2015:

MEMBERS:	VOTE:
Gary F. Snellings, Chairman	
Laura A. Sellers, Vice Chairman	
Meg Bohmke	
Jack R. Cavalier	
Paul V. Milde III	
Cord A. Sterling	
Robert "Bob" Thomas, Jr.	

On motion of , seconded by , which carried by a vote of , the following was adopted:

A RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS ON BEHALF OF THE RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD (R-BOARD) FOR THE PURPOSE OF CONSTRUCTING A NEW SOLID WASTE LANDFILL CELL; BUDGET AND APPROPRIATION OF THE BOND PROCEEDS; AND THE DECLARATION OF THE COUNTY'S INTENT TO REIMBURSE ITSELF FROM THE BOND PROCEEDS FOR RELATED CAPITAL EXPENDITURES

WHEREAS, the R-Board operates the Rappahannock Regional Landfill (Landfill) under a Joint Powers Agreement between the City of Fredericksburg (City) and Stafford County; and

WHEREAS, the present operating landfill cell will reach its permitted capacity around the end of 2015; and

WHEREAS, construction of a new solid waste landfill cell (Cell F-2) is necessary to avoid any interruption in solid waste services for County residents, and residents of the City, and would have a useful life of about seven years; and

WHEREAS, the cost of constructing Cell F-2, including the purchase of wetland mitigation credits for $98,481, is $5,161,449; and

WHEREAS, the R-Board can fund $1,067,000 of this expense from its operating reserves; and

WHEREAS, the balance of this cost, $4,094,000, could be financed through the Virginia Resources Authority equally by the City and County; and

WHEREAS, the debt service could be funded from the revenues derived from the user fees charged to customers at the Landfill (R-Board revenues); and

WHEREAS, pursuant to Virginia Code § 15.2-2606, the Board held a public hearing to consider issuing bonds or other obligations payable from the R-Board revenue (Revenue Bonds); and

WHEREAS, the Board considered the recommendations of the R-Board and County staff, and the public testimony, if any, at the public hearing; and

WHEREAS, the Board has determined that authorizing bonds on behalf of the R-Board to help finance the construction of Cell F-2, promotes the health, safety, and welfare of the County and its citizens;

NOW, THEREFORE BE IT RESOLVED, by the Stafford County Board of Supervisors on this the 19th day of May, 2015, that Revenue Bonds in an amount not to exceed $2,250,000, for the County's share of the construction of Cell F-2, a new solid waste landfill cell, at the Rappahannock Regional Landfill are hereby authorized; and

BE IT FURTHER RESOLVED, that the County Administrator be and he hereby is authorized to budget and appropriate the proceeds of said Revenue Bonds; and

1. Prior to the issuance or incurrence of the Revenue Bonds, the County expects to pay its share of construction costs to the R Board and the R-Board expects to pay the costs of the construction of Cell F-2 from its available funds; and

2. On the date each expenditure is paid, it will be a capital expenditure (or would be with a proper election) under general federal income tax principles or will otherwise comply with the requirements of Treas. Regs. § 1.150-2(d)(3); and

BE IT STILL FURTHER RESOLVED, that the County reasonably expects to reimburse the expenditures made by the County or the R-Board prior to the issuance of the Revenue Bonds from the proceeds of such Bonds; and

BE IT STILL FURTHER RESOLVED, that this Resolution represents a declaration of "official intent" under Treasury Regs. § 1.150-2 (26 CFR 1.150-2) and shall be in effect from and after its adoption.

AJR:MP:KD

CERTIFICATE OF SECRETARY

The undersigned Clerk of the Stafford County Board of Supervisors hereby certifies that:

A resolution (the "Resolution") entitled "**A RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS ON BEHALF OF THE RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD (R-BOARD) FOR THE PURPOSE OF CONSTRUCTING A SOLID WASTE LANDFILL CELL; AND AUTHORIZE THE COUNTY ADMINISTRATOR TO BUDGET AND APPROPRIATE THE PROCEEDS; AND TO DECLARE INTENT FOR THE COUNTY TO REIMBURSE ITSELF FROM THE PROCEEDS FOR RELATED CAPITAL EXPENDITURES"** was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Stafford County Board of Supervisors, with the ayes and nays being recorded in the minutes of the meeting as shown on the first page of this Resolution.

The foregoing is a true and correct copy of the Resolution.

WITNESS my signature as of the date set forth below.

_____
Anthony J. Romanello, Clerk
Stafford County Board of Supervisors

Date: _____