

# Town of Lovettsville

## MEMORANDUM

**To:** Mayor and Town Council  
**From:** Robert Ritter  
**Date:** February 27, 2020  
**Subject:** Town Administrative Building Funding

### Purpose

- To authorize the Town Manager to enter into a Municipal Advisory Services Agreement with VML-VACo.
- To schedule a Public Hearing to amend our current fiscal year's budget.
- To issue a letter of intent to award the construction of the Town's Administrative Building to Fuog InterBuild, Inc.

### Background

The Town of Lovettsville has identified a need to expand our current facilities, and by direction of Council, has completed the following:

- Issued a request for proposal
- Reviewed proposals and have recommended the contractor to council
- Identified funding for the construction

### Description

The Town of Lovettsville has funding allocated in the FY 21-25 Capital Improvement Plan and has made recommendation for funding in the FY-21 budget. However, to secure the selected contractor's bid price it is imperative that we authorize the award within 90 days of submission of the contractor's price. The Town cannot issue a notice to proceed for the construction of the Town's Administrative Building in FY 20 until funding is secured within our current fiscal year.

### Solution

Maintaining reserve funds are a great priority and the Town has allocated approximately \$15,000 for years, for the payment of our current trailer; maintaining a payment similar to our existing budgeted amount is reasonable. By doing so, we are minimizing the consequence of pulling reserves while providing a permanent solution to an ongoing space, quality of life and public perception issue that will continue indefinitely without a cost-effective solution. Financing approximately \$225,000 for 20 years will require a re-payment of roughly \$15,000 per year. This regularly budgeted amount has no budget impact. This would require a budget amendment for

the current fiscal year, applying for the required loan and a notice to proceed to the chosen contractor.

### **Recommendation**

- Scheduling a Public Hearing to amend the Town's 2020 budget to allow for the disbursement of \$540,000.00 to fund the Town Hall Administration Building project. The disbursement would include \$498,211.00 for the building with the outstanding balance of the transferred funds for additional related items.
- Authorizing the Town Manager to enter into a Municipal Advisory Services Agreement with VML-VACo to secure a loan of approximately \$225,000 to fund a portion of the project. These funds would repay a portion the Town's reserves, leaving a total of \$315,000 of the Town's reserves used to fund the project.
- Issue a Letter of Intent to Fuog InterBuild, Inc. to award the construction of the Town's Administrative Building in the amount of \$498,211.00.

### **Motion**

I move to authorize the Town Manager to enter into a Municipal Advisory Services Agreement with VML-VACo to secure a loan in the amount of approximately \$225,000.

I move to schedule a Public Hearing on March 12, 2020 to adopt Ordinance No. 2020-03-0001 to amended the 2020 fiscal year budget in the amount of \$540,000 for the Town Hall Expansion project.

I move to authorize the Town Manager to issue a letter of intent to Fuog InterBuild to enter into a contract to construct the Town Administrative Building in the amount of \$498,000.

### **Attachments:**

1. VML-VACo Municipal Advisory Services Agreement
2. VML-VACo Town Hall Financing
3. Ordinance 2020-03-0001 FY20 Budget Amendment Ordinance Draft
4. FY20 Amended Budget Advertisement
5. Letter of Intent (to be distributed)



Virginia Local Government Finance Corporation  
8 E. Canal Street  
Richmond, Virginia 23219  
(804) 648-0635

Steve Mulroy  
Managing Director

February 24, 2020

Robert Ritter, Town Manager  
Town of Lovettsville, Virginia  
Email: [townmanager@lovettsvilleva.gov](mailto:townmanager@lovettsvilleva.gov)

RE: Municipal Advisory Services Agreement

Dear Robert:

On behalf of the Virginia Local Government Finance Corporation ("VLGFC," d/b/a VML/VACo Finance), I am pleased to present this proposed agreement for Municipal Advisory Services for the Town of Lovettsville, Virginia. This letter contains information about VML/VACo Finance's qualifications and describes the specific deliverables that we will develop pursuant to the agreement.

### **Scope of the Engagement**

Based on our communications, the Town has requested that VML/VACo Finance review financing options for the Town Hall Project. VML/VACo Finance will assist the Town in securing a loan of approximately \$225,000 (preliminary, subject to change) to facilitate completion of the Project.

### **Qualifications of VML/VACo Finance**

VML/VACo Finance is registered as a municipal advisor with the Municipal Securities Rulemaking Board (MSRB) and the Securities and Exchange Commission (SEC), and as such, is ideally qualified to assist the Town with this financing.

VML/VACo Finance was founded by the Virginia Municipal League (VML) and Virginia Association of Counties (VACo) in 2003 as a provider of financial services for Virginia local governments and governmental entities. The program is administered by the Virginia Local Government Finance Corporation, a non-profit 501(c)(4) organization. Members of the VLGFC's Board of Directors are selected by VML and VACo. Our staff is headquartered in Richmond.

Since inception, VML/VACo Finance has assisted Virginia local governments and local government entities in financing capital projects and equipment through various means, including competitive and negotiated municipal bond issues, bank placements, equipment leases,

government loan programs, and commercial paper. To date, we have closed on approximately 175 financings totaling more than \$1.0 billion. Our financing engagements commonly entail:

- Assisting localities in structuring their loans, scheduling debt service payments that meet their specific requirements;
- Performing credit analysis and making recommendations in order to meet the lending/investment criteria of banks, bond insurers, investors, and rating agencies;
- Leading the bond issuance team for major bond issues and coordinating the deliverables of underwriters, bond counsel, rating agencies, credit enhancement providers, and trustee banks;
- Issuing Requests for Proposals for bank placements and equipment leases, making vendor selection recommendations, reviewing loan documents, and assisting in closing activities;
- Identifying and executing refunding opportunities to generate debt service savings and/or reduce the number of years remaining on outstanding debt.

As a registered municipal advisor, VML/VACo Finance is subject to MSRB rules. MSRB rules establish a code of conduct and standards of professional qualification designed to protect the interests of municipal entities that rely on the services of municipal advisors. Municipal advisory activities we conduct on behalf of municipal clients are subject to a fiduciary duty, which means putting the client's interest first and providing thoughtful advice that considers all reasonably feasible alternatives that may be in the client's interest.

### **Staffing for this Engagement**

**Steve Mulroy** will be the Principal assigned to the engagement. Steve currently serves as Managing Director of VML/VACo Finance and has been with the program since 2006. In this capacity, he has oversight responsibility for the Program's financing and equipment leasing programs. Prior to joining VML/VACo Finance, Steve had thirteen years of public finance and financial advisory experience, including stints at Ferris, Baker Watts and Legg Mason Wood Walker. As an investment banker, he successfully closed on bond issues totaling more than \$800 million for a variety of tax-exempt borrowers, including municipalities, colleges, and health care providers. Steve earned an M.B.A. from New York University and graduated with a B.S. in Finance from Villanova University. He also successfully passed the Level 1 Chartered Financial Analyst exam. Steve is registered as a Municipal Advisor representative, having passed the Series 50 Municipal Advisor exam.

**Taylor Bryant** will handle the day-to-day responsibilities of this engagement. Taylor joined VML/VACo Finance in 2019 and has primary responsibility for VML/VACo's financing and municipal advisory programs. Previously, Taylor worked in the banking sector with several firms in Maryland and Virginia. He worked with Bay Bancorp in various credit roles through its

successful sale and merger with Old Line Bankshares. Most recently, Taylor worked in portfolio management at Freedom Bank of Virginia where he was responsible for new debt origination across all asset classes and existing portfolio analysis. Taylor holds a B.A. from the University of Virginia and is registered as a Municipal Advisor representative, having passed the Series 50 Municipal Advisor exam.

We may substitute other, similarly qualified personnel during the course of the engagement with the advance notice to the Town.

### **Deliverables and Fees**

#### **Arrange Financing for Project**

Debt Issuance – VML/VACo Finance will conduct a Request for Proposals for a loan of approximately \$225,000 with a 20-year term. This amount is preliminary and subject to change. The RFP will be distributed to national, regional, and community banks, and banks of local interest. VML/VACo Finance will use its best efforts to obtain proposals that meet the Town's objectives. Staff will review the proposals received and then present the results to Town staff, as well as make a recommendation that best meets the Town's objectives. Staff is also available to present the results to Town Council.

VML/VACo Finance will then manage the placement of the bank loan to the winning bank as selected by the Town. This includes loan structuring, coordination with bank counsel and the bank submitting the winning proposal, loan document review, and ongoing support.

Program Fee – VML/VACo's fee is **\$4,500**.

The program fee does not include any additional fees charged by the selected bank, if any, or of bond counsel, should counsel be required.

#### **Additional Terms and Disclosures**

VML/VACo Finance will serve as the Town's municipal advisor without additional charge through June 30, 2021. During this period, we will be available to cover routine questions and support. A separate fee schedule will apply for assistance with financings, and for the delivery of additional reports such as for a plan of finance or a debt affordability analysis. The agreement may be terminated sooner by written notice provided by either party.

Should the Town wish to continue the Municipal Advisory agreement after the first year, a retainer fee (currently \$1,500) will be payable on July 1, 2021, and on July 1 of each subsequent year in which the agreement remains in effect. The retainer fee will cover routine questions and support. A separate fee schedule will apply to assistance with financings, and for the delivery of additional reports such as for a credit analysis or plan of finance. VML/VACo Finance will apply the retainer fee to any such billing incurred within the same fiscal year ending June 30.

VML/VACo Finance agrees to make its best efforts to be available to the Town upon request, within requested timeframes, to assist with relevant financial matters. In its role as municipal advisor, VML/VACo Finance agrees to review unsolicited proposals from investment banking firms, pursuant to MSRB rules that otherwise prohibit investment banks from presenting unsolicited proposals to governments not represented by a municipal advisor.

Additional non-routine services may be provided with advance approval of both parties and will be billed at a rate of \$115.00 per hour unless other compensation arrangements are agreed to in advance.

Pursuant to MSRB rules, VML/VACo Finance submits the following additional disclosure information:

- MSRB has available on its website an informational brochure for municipal advisory clients (Municipal Advisory Client Brochure). The MSRB website address is *msrb.org*.
- The MSRB collects information from each municipal advisor registrant regarding legal and disciplinary events, including information about criminal actions, regulatory actions, investigations, judgments, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. None of these events apply to VML/VACo Finance, and there has been no material change or additions to the event disclosures since our initial filing. The most recent copies of our reports (Forms MA and MA-I) are available at the U.S. Securities and Exchange Commission website: [sec.gov/edgar/searchedgar/companysearch.html](http://sec.gov/edgar/searchedgar/companysearch.html).
- VML/VACo Finance receives compensation from participants for each successful closing in its Fixed Rate Loan Program (a bank loan program), Commercial Paper program, and Equipment Leasing Program. To help ensure neutral financing recommendations, whether an in-house or external financing source is selected, the Board of Directors has established fee schedules that are based upon the actual staff resource requirements of the particular financing vehicle selected.

To indicate your acceptance of this proposal, please sign below and return a copy of the letter by U.S. Mail or electronic mail ([smulroy@valocalfinance.org](mailto:smulroy@valocalfinance.org)).

Robert Ritter, Town Manager  
February 24, 2020  
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We look forward to having the opportunity to work with Town in this capacity.

Sincerely,

Steve Mulroy

***The Town of Lovettsville, Virginia, hereby engages VML/VACo Finance for Municipal Advisory Services as outlined herein:***

Name:	
Title:	
Signature:	
Date:	



8 East Canal Street, Suite 100  
Richmond, Virginia 23219  
(804) 648-0635

## Lovettsville, VA Town Hall Project Preliminary Financing Details

Project Cost	\$540,000
Estimated Maximum Loan Amount*	\$225,000
Indicative Interest Rate (Preliminary)	3.00%
Average Annual Debt Service	\$15,042

\*Maximum loan amount given annual debt service not exceeding \$15,000, a 20-year term and an indicative interest rate of 3.0%. The actual rate will be determined through an RFP process.

*Note: Loan terms subject to credit approval, satisfactory documentation, bond counsel and legal review.*



\$225,000

Preliminary

Lovettsville, VA

Tax Exempt, 20-Year Bank Loan

Town Hall Project

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/01/2020	-	-	-	-	-
12/01/2020	4,146.00	3.000%	3,375.00	7,521.00	-
06/01/2021	4,208.00	3.000%	3,312.81	7,520.81	15,041.81
12/01/2021	4,271.00	3.000%	3,249.69	7,520.69	-
06/01/2022	4,335.00	3.000%	3,185.63	7,520.63	15,041.32
12/01/2022	4,400.00	3.000%	3,120.60	7,520.60	-
06/01/2023	4,466.00	3.000%	3,054.60	7,520.60	15,041.20
12/01/2023	4,533.00	3.000%	2,987.61	7,520.61	-
06/01/2024	4,602.00	3.000%	2,919.62	7,521.62	15,042.23
12/01/2024	4,671.00	3.000%	2,850.59	7,521.59	-
06/01/2025	4,741.00	3.000%	2,780.52	7,521.52	15,043.11
12/01/2025	4,812.00	3.000%	2,709.41	7,521.41	-
06/01/2026	4,884.00	3.000%	2,637.23	7,521.23	15,042.64
12/01/2026	4,957.00	3.000%	2,563.97	7,520.97	-
06/01/2027	5,031.00	3.000%	2,489.61	7,520.61	15,041.58
12/01/2027	5,107.00	3.000%	2,414.15	7,521.15	-
06/01/2028	5,184.00	3.000%	2,337.54	7,521.54	15,042.69
12/01/2028	5,261.00	3.000%	2,259.78	7,520.78	-
06/01/2029	5,340.00	3.000%	2,180.87	7,520.87	15,041.65
12/01/2029	5,420.00	3.000%	2,100.77	7,520.77	-
06/01/2030	5,502.00	3.000%	2,019.47	7,521.47	15,042.24
12/01/2030	5,584.00	3.000%	1,936.94	7,520.94	-
06/01/2031	5,668.00	3.000%	1,853.18	7,521.18	15,042.12
12/01/2031	5,753.00	3.000%	1,768.16	7,521.16	-
06/01/2032	5,839.00	3.000%	1,681.86	7,520.86	15,042.02
12/01/2032	5,927.00	3.000%	1,594.28	7,521.28	-
06/01/2033	6,016.00	3.000%	1,505.37	7,521.37	15,042.65
12/01/2033	6,106.00	3.000%	1,415.13	7,521.13	-
06/01/2034	6,198.00	3.000%	1,323.54	7,521.54	15,042.67
12/01/2034	6,291.00	3.000%	1,230.57	7,521.57	-
06/01/2035	6,385.00	3.000%	1,136.21	7,521.21	15,042.78
12/01/2035	6,481.00	3.000%	1,040.43	7,521.43	-
06/01/2036	6,578.00	3.000%	943.22	7,521.22	15,042.65
12/01/2036	6,677.00	3.000%	844.55	7,521.55	-
06/01/2037	6,777.00	3.000%	744.39	7,521.39	15,042.94
12/01/2037	6,878.00	3.000%	642.74	7,520.74	-
06/01/2038	6,982.00	3.000%	539.57	7,521.57	15,042.31
12/01/2038	7,086.00	3.000%	434.84	7,520.84	-
06/01/2039	7,193.00	3.000%	328.55	7,521.55	15,042.39
12/01/2039	7,300.00	3.000%	220.65	7,520.65	-
06/01/2040	7,410.00	3.000%	111.15	7,521.15	15,041.80
<b>Total</b>	<b>\$225,000.00</b>	<b>-</b>	<b>\$75,844.80</b>	<b>\$300,844.80</b>	<b>-</b>

# Town of Lovettsville

**Ordinance No. 2020-03-0001: AN ORDINANCE TO ADOPT AND APPROPRIATE FUNDS FOR THE AMENDED FISCAL YEAR 2020 IN THE AMOUNT OF \$4,869,966**

**MOTION:**

**SECOND:**

**WHEREAS**, on March 28, 2019, the Lovettsville Town Council adopted the FY-2020 Budget, effective beginning July 1, 2019 and ending June 30, 2020; and

**WHEREAS**, the Lovettsville Town Council will expand their Town Hall with an additional administrative building to provide a long-term solution to the Town's office space needs by replacing a trailer that has been leased for the past 11 years and consolidate administrative office space; and

**WHEREAS**, the total project will expend \$540,000, of which \$315,000 will come from the General Fund Asset Replacement Reserve Fund and \$225,000 will be a 20-year loan financed on a competitive basis through VML/VACo Finance; and

**WHEREAS**, the \$315,000 used from the General Fund Asset Replacement Reserve Fund will leave a balance of \$837,696, which exceeds the target balance of \$538,213 by 156%; and

**WHEREAS**, the annual payment for the \$225,000 loan is approximately \$15,042, which is the amount currently budgeted in FY20 and FY21 for building maintenance/modular rental; and

**WHEREAS**, any such amendment which exceeds one percent of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a meeting and a public hearing; and

**WHEREAS**, a brief synopsis of the amended budget was published, and a public hearing was held on March 12, 2020, all as required by the provisions of Section 15.2-2507 of the State Code; and

**WHEREAS**, the Town Manager is hereby requesting that Council approve appropriation of funds

**NOW THEREFORE, BE IT ORDAINED** by the Council for the Town of Lovettsville, Virginia meeting in regular session this 26th day of March 2020 does hereby approve the budget amendments described above as more particularly depicted in the tables following below and does hereby make the appropriations of funds following appropriations of Town revenues as specified and required by the adopted amended budget hereto and made a part hereof, or so much thereof as may be necessary for the purposes specified and in the amounts identified therein for Fiscal Year 2020 in the amount not to exceed \$4,869,966.

**REVENUE**

ACC. #	DESCRIPTION	AMENDED FY 20 BUDGET
10.3600.0720	TRANSFER FROM CAPITAL ASSET REPLMT FND	<b>\$315,000</b>
10.3600.1800	TOWN HALL LOAN	<b>\$225,000</b>

**EXPENDITURE**

ACC. #	DESCRIPTION	AMENDED FY 20 BUDGET
10.4100.1105	TOWN HALL OFFICE EXPANSION	<b>\$540,000</b>

**TOTAL GENERAL AND UTILITY FUND REVENUE AND EXPENDITURE**

	DESCRIPTION	APPROVED FY 20 BUDGET	AMENDED FY 20 BUDGET
	TOTAL	<b>\$4,329,966</b>	<b>\$4,869,966</b>

**ALL OTHER LINE ITEMS REMAIN THE SAME AS ORIGINALLY  
APPROVED FOR THE FISCAL YEAR 2020 BUDGET**

**This ordinance shall be in force and effective from March 26, 2020.**

**BY ORDER OF THE COUNCIL**

**VOTE:**

**Ayes:**

**Nays:**

**Abstentions:**

**Absent for Vote:**

**Approved:**

**NATHANIAL O. FONTAINE, MAYOR**

**HARRIET WEST, TOWN CLERK**

**TOWN OF LOVETTSVILLE  
NOTICE OF PUBLIC HEARING  
PROPOSED AMENDED OPERATING & CAPITAL BUDGETS FOR FISCAL YEAR 2020**

A PUBLIC HEARING on the proposed Amended Operating and Capital Budget for FY 2020 will be held at the Lovettsville Town Hall, 6 East Pennsylvania Avenue, Lovettsville, VA on Thursday, March 12, 2020, at 7:30 p.m., at which time all interested citizens will be heard. Copies of the FY 2020 Budget may be examined at the Town Hall from 8:30 a.m. to 4:30 p.m., Monday through Friday, holidays excepted or on the Town's website at [www.lovettsvilleva.gov](http://www.lovettsvilleva.gov).

**REVENUE**

ACC. #	DESCRIPTION	AMENDED FY 20 BUDGET
10.3600.0720	TRANSFER FROM CAPITAL ASSET REPLMT FND	<b>\$315,000</b>
10.3600.1800	TOWN HALL LOAN	<b>\$225,000</b>

**EXPENDITURE**

ACC. #	DESCRIPTION	AMENDED FY 20 BUDGET
10.4100.1105	TOWN HALL OFFICE EXPANSION	<b>\$540,000</b>

**TOTAL GENERAL AND UTILITY FUND REVENUE AND EXPENDITURE**

	DESCRIPTION	APPROVED FY 20 BUDGET	AMENDED FY 20 BUDGET
	TOTAL	<b>\$4,329,966</b>	<b>\$4,869,966</b>

**ALL OTHER LINE ITEMS REMAIN THE SAME AS ORIGINALLY ADOPTED FOR THE FISCAL YEAR 2020 BUDGET.**