

Facing financial distress, Charles City will borrow

Supervisors approve plan to obtain up to \$8M



By Dave Ress Richmond Times-Dispatch

Charles City County, which has had to borrow money two years in a row just to pay its bills, is looking to borrow still more, incurring the additional cost of that, in order to get back on its financial feet.

The tiny county's supervisors have approved a plan that calls for borrowing up to \$8 million, which would allow it to replenish funds depleted by paying cash for \$7 million of projects that could have been financed with long-term debt and getting a start on two wastewater treatment plants it is under state orders to fix.

The county hopes to do this by the end of the year.

It's a sustainable, long-term plan for financial stability, but it will come at some cost to the county, said David Rose, senior vice president at Davenport & Company, the county's financial adviser.

"We got an emergency call about a year and a half ago ... (that) basically said, 'we're running out of money,'" Rose said.

Davenport arranged for a \$5 million, one-year borrowing, a "revenue anticipation note," to make sure the county could pay bills, with the aim of repaying that by the end of that fiscal year.

That didn't work out — this summer, to pay off the first note, the county borrowed another.

"So, we got brought in, and we said we can't fix this in that short period of time, but we believe we can fix that, or go very far into fixing that, here in this fiscal year," Rose said.

The fix includes selling \$5 million of 15-year bonds, essentially to build back the county's resources after it built a new fire station, its Market 5 retail center and food pantry — basically, stretching out the cost of these over 15 years.

These would be bonds probably paying interest at 6.5%, which would mean a new \$500,000 to \$550,000 annual bill for the county to pay, Rose said. That's the equivalent of 5 cents on the real estate tax rate, but the actual price could be offset by interest earned on the county's replenished cash holdings, as well as what look to be revenue increases and spending cuts currently on track, he said.

Currently, the county's available cash totals less than 6% of revenue, well below the average for other small eastern Virginia counties of nearly 35%. The bond sale would boost the county's cash to nearly 27% of revenue.

In addition to the bond sale, he proposed the county arrange a \$2.5 million to \$3 million credit facility — essentially like a credit card — allowing Charles City to draw sums as needed to start work on upgrades to its Ruthville and government center wastewater plants, where the state has ordered roughly \$5.6 million of improvements.

Rose said the county might be able to tap other financing options to complete those projects, such as the state's low-interest loans for such work. The credit facility would give the county some flexibility to get started while exploring additional resources.

“They want to borrow \$8 million, to replace the 4.1% Ran (revenue anticipating note) with 6.5% debt, no explanation why that's a good idea,” said Rob Tyler, the county's former commonwealth's attorney and a critic of several recent county development and financial actions.

He's worried the fast-track, higher-rate borrowing could be because lenders would balk at providing credit once a still pending audit of fiscal year 2025 financial results is published.