

EXHIBIT NO. 1

City of Alexandria, Virginia

27
6-12-01

MEMORANDUM

DATE: JUNE 4, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF A RESOLUTION PROVIDING FOR THE SALE OF CONSOLIDATED PUBLIC IMPROVEMENT GENERAL OBLIGATION BONDS, SERIES 2001, AND PROVIDING FOR THE TERMS OF SUCH BONDS

ISSUE: Consideration of necessary actions to proceed with issuance of General Obligation Bonds to finance various public improvements.

RECOMMENDATION: That City Council adopt the attached Resolution (Attachment I), which sets the terms for the issuance of up to \$54.5 million in General Obligation Bonds and which delegates to the City Manager and the Director of Finance the authority to establish the details of the bond sale and to accept a bid for the purchase of the bonds.

BACKGROUND: The proposed resolution is an integral step in the financing of the City's adopted Capital Improvement Program (CIP). This proposed resolution authorizes the sale of up to \$54.5 million in consolidated public improvement General Obligation Bonds, sets out the broad terms of the bond sale, and delegates to the City Manager and the Director of Finance the authority to establish the details of the proposed bond sale and to accept a bid for the purchase of the bonds. These bonds were originally authorized by Ordinance 4198, enacted on May 12, 2001.

In adopting the City's CIP for FY 2002 through FY 2007, the City Council has approved a financing plan that contemplates the issuance of General Obligation Bonds to finance a portion of the approved CIP. The CIP contemplates the planned issuance of General Obligation Bonds of \$30.50 million in FY 2002, \$24.0 million in FY 2003, \$20.0 million in FY 2004 and \$18.5 million in FY 2005, for a total of \$93.0 million to finance projects approved in the current CIP. The proposed resolution authorizes a sale of up to \$54.5 million, which is the amount contemplated for issuance in FY 2002 and FY 2003. The increase over the FY 2002 amount is proposed in order to position the City to take advantage of potentially advantageous bond market interest rates in early to mid July when the bonds are planned to be issued. For example, for each 0.25% interest rate advantage gained by selling \$24.0 million in bonds one year earlier (i.e, in 2001 rather than 2002), the City saves \$600,000 in interest payments over the life of the bonds.

The issuance of \$54.5 million of debt this summer would provide \$30.5 million to finance capital expenditures made during FY 2002 and also provide \$24.0 million in "prospective" bond funds to finance capital projects planned for FY 2003. Based on the current CIP, our next bond sale would

not be needed until FY 2004. Avoiding a bond sale can save the City about \$100,000 in issuance costs. While the tax exempt interest rate environment remains favorable in comparison to its position over the last twenty years, market conditions remain uncertain. Thus, while an authorization of up to \$54.5 million is recommended, the final bond size would be determined at the end of June, just before the notice of sale is issued to potential bidders and underwriters in the financial community. The selected size would be based upon market interest rates and other economic factors at that time.

The net debt service cost of the additional borrowing will not negatively impact the FY 2002 operating budget, which was based on a \$30.5 million borrowing. This is because the initial FY 2002 principal repayment will remain constant regardless of the amount of bonds issued. It is also because the net interest costs for the City in FY 2002 will not change, since the interest the City will earn on the investment of the additional \$24.0 million in borrowed amounts, plus lower than budgeted interest costs on the \$30.5 million borrowing that is budgeted, will offset (if not exceed) the additional interest costs the City will incur in FY 2002 due to the accelerated borrowing of \$24.0 million.

It is expected that the bonds will be rated AAA by Standard & Poors and Aaa by Moody's Investors Service. These are the top bond ratings assigned to a select group of corporations and governments. Alexandria's general obligation bond ratings are matched by only 31 cities in the entire United States. These ratings are based on the City's low debt ratios, its sound and stable fiscal policies and practices, and the strong local economy.

The bonds will be structured as serial bonds, in \$5,000 increments, with principal repaid annually over a twenty-year period, and an average principal maturity at about 11 years. The bonds will be issued on a sealed bid competitive basis with the award made to the qualified bidder who offers the lowest true interest cost. Similar to last year, the City will take bond bids electronically over the Internet, and it will deliver the Preliminary Official Statement (the pre-bid prospectus) to potential bidders and underwriters over the Internet. The Preliminary Official Statement will also be available through the City's web site. The bonds will carry a ten-year call feature, with premium and discount features likely to be permitted in the bids. These structural features will be finalized closer to the bond sale date, when it is clear what structural features the bond market views favorably.

FISCAL IMPACT: The Bond Resolution provides authorization for an issuance of General Obligation Bonds not to exceed \$54.5 million. Using a first year's principal payment of \$650,000 and a 4.8 percent average interest cost, first year debt service on these bonds will total \$3.3 million in FY 2002 if all \$54.5 million is issued.

ATTACHMENT: I. City Council Resolution Providing for the Sale of Consolidated Public Improvement General Obligation Bonds

STAFF: Mark Jinks, Assistant City Manager
D. A. Neckel, Director of Finance

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF ALEXANDRIA, VIRGINIA
PROVIDING FOR THE SALE OF
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2001,
AND PROVIDING FOR THE TERMS OF SUCH BONDS**

WHEREAS, the City Council of the City of Alexandria, Virginia by Ordinance No. 4198 enacted on May 12, 2001 (the "Ordinance"), has authorized the issuance and sale of a maximum of \$54,500,000 general obligation bonds to finance all or a portion of the costs of certain capital improvements, all as more particularly described in the Ordinance (the "Projects");

WHEREAS, the City Council has held a public hearing on the issuance of such bonds on May 12, 2001; and

WHEREAS, the City Council has determined that it is advisable to issue and sell all or a portion of the bonds authorized pursuant to the Ordinance in the maximum principal amount of \$54,500,000 (the "Bonds") and proposes to provide for the terms of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALEXANDRIA, VIRGINIA:

1. **Authorization to Issue Bonds.** The issuance and sale of the Bonds in the maximum amount of \$54,500,000 to finance all or a portion of the costs of the Projects is hereby authorized.

2. **Details and Sale of Bonds.** The Bonds shall be issued upon the terms established pursuant to the Ordinance and this Resolution and upon such other terms as may be determined in the manner set forth in this Resolution. The Bonds shall be issued in fully registered form, shall be dated such date or dates as the City Manager and the Director of Finance, or either of them, may approve, shall be in the denominations of \$5,000 each or whole multiples thereof, and shall be numbered from R-1 upwards consecutively. The Bonds shall be issued in such principal

amount and mature on such dates and in such amounts as the City Manager and the Director of Finance, or either of them, may approve; provided, that the principal amount of the Bonds shall not exceed \$54,500,000 and the final maturity of the Bonds shall not be more than approximately 20 years from their date.

The City Manager and the Director of Finance, or either of them, is authorized and directed to accept the bid for the purchase of the Bonds which results in the lowest true interest cost to the City, and the Bonds shall bear interest, payable semi-annually, at such rate or rates, and shall be sold to the successful bidder at such price as may be set forth in the bid so accepted; provided, that the true interest cost of the Bonds shall not exceed 7.5% per annum. The City Manager and the Director of Finance, or either of them, is authorized and directed to approve such optional redemption provisions for the Bonds as such officer or officers may determine to be in the best interest of the City.

3. **Execution of Bonds.** The Mayor and the Clerk of the City are authorized and directed to execute appropriate negotiable Bonds and to affix the seal of the City thereto and to deliver the Bonds to the purchaser thereof upon payment of the purchase price. The manner of execution and affixation of the seal may be facsimile, provided, however, that if the signatures of the Mayor and the Clerk are both by facsimile, the Bonds shall not be valid until signed at the foot thereof by the manual signature of the Bond Registrar.

4. **Disclosure Documents.** The City Manager and the Director of Finance, or either of them, and such officers and agents of the City as either of them may designate, are hereby authorized and directed to prepare, execute, if required, and deliver an appropriate notice of sale, preliminary official statement, official statement, continuing disclosure agreement or such other offering or disclosure documents as may be necessary to expedite the sale of the Bonds. The

notice of sale, preliminary official statement, official statement, continuing disclosure agreement or other documents shall be published in such publications and distributed in such manner, including electronically, and at such times as the Director of Finance shall determine. The Director of Finance is authorized and directed to deem the preliminary official statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12.

5. **Further Actions.** The City Manager and the Director of Finance, and such officers and agents of the City as either of them may designate, are authorized and directed to take such further action as they deem necessary regarding the issuance and sale of the Bonds and all actions taken by such officers and agents in connection with the issuance and sale of the Bonds are ratified and confirmed.

6. **Effective Date.** This Resolution shall take effect upon the date of its adoption.

Approved:

Mayor

Adopted by the City Council at a meeting duly called and held on June 12, 2001.

Clerk, City of Alexandria, Virginia

RESOLUTION NO. 2001

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF ALEXANDRIA, VIRGINIA
PROVIDING FOR THE SALE OF
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2001
AND PROVIDING FOR THE TERMS OF SUCH BONDS

WHEREAS, the City Council of the City of Alexandria, Virginia by Ordinance No. 4198 enacted on May 12, 2001 (the "Ordinance") has authorized the issuance and sale of a maximum of \$54,500,000 general obligation bonds to finance all or a portion of the costs of certain capital improvements all as more particularly described in the Ordinance (the "Projects");

WHEREAS, the City Council has held a public hearing on the issuance of such bonds on May 12, 2001; and

WHEREAS, the City Council has determined that it is advisable to issue and sell all or a portion of the bonds authorized pursuant to the Ordinance in the maximum principal amount of \$54,500,000 (the "Bonds") and proposes to provide for the terms of the Bonds.

**NOW, THEREFORE, BE IT RESOLVED BY THE
CITY COUNCIL OF ALEXANDRIA, VIRGINIA:**

Authorization to Issue Bonds. The issuance and sale of the Bonds in the maximum amount of \$54,500,000 to finance all or a portion of the costs of the Projects is hereby authorized.

Details and Sale of Bonds. The Bonds shall be issued upon the terms established pursuant to the Ordinance and this Resolution and upon such other terms as may be determined in the manner set forth in this Resolution. The Bonds shall be issued in fully registered form, shall be dated such date or dates as the City Manager and the Director of Finance, or either of them, may approve, shall be in the denominations of \$5,000 each or whole multiples thereof and shall be numbered from R-1 upwards consecutively. The Bonds shall be issued in such principal amount and mature on such dates and in such amounts as the City Manager and the Director of Finance, or either of them, may approve, provided that the principal amount of the Bonds shall not exceed \$54,500,000 and the final maturity of the Bonds shall not be more than approximately 20 years from their date.

The City Manager and the Director of Finance, or either of them, is authorized and directed to accept the bid for the purchase of the Bonds which results in the lowest true interest cost to the City and the Bonds shall bear interest, payable semi-annually, at such rate or rates and shall be sold to the successful bidder at such price as may be set forth in the bid so accepted; provided that the true interest cost of the Bonds shall not exceed 7.5% per annum. The City Manager and the Director of Finance, or either of them, is authorized and directed to approve such optional redemption provisions for the Bonds as such officer or officers may determine to be in the best interest of the City.

Execution of Bonds. The Mayor and the Clerk of the City are authorized and directed to execute appropriate negotiable Bonds and to affix the seal of the City thereto and to deliver the

Bonds to the purchaser thereof upon payment of the purchase price. The manner of execution and affixation of the seal may be facsimile, provided, however, that if the signatures of the Mayor and the Clerk are both by facsimile, the Bonds shall not be valid until signed at the foot thereof by the manual signature of the Bond Registrar.

Disclosure Documents. The City Manager and the Director of Finance, or either of them, and such officers and agents of the City as either of them may designate are hereby authorized and directed to prepare, execute, if required, and deliver an appropriate notice of sale, preliminary official statement, official statement, continuing disclosure agreement or such other offering or disclosure documents as may be necessary to expedite the sale of the Bonds. The notice of sale, preliminary official statement, official statement, continuing disclosure agreement or other documents shall be published in such publications and distributed in such manner, including electronically, and at such times as the Director of Finance shall determine. The Director of Finance is authorized and directed to deem the preliminary official statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12.

Further Actions. The City Manager and the Director of Finance and such officers and agents of the City as either of them may designate are authorized and directed to take such further action as they deem necessary regarding the issuance and sale of the Bonds and all actions taken by such officers and agents in connection with the issuance and sale of the Bonds are ratified and confirmed.

Effective Date. This Resolution shall take effect upon the date of its adoption.

ADOPTED: June 12, 2001


KERRY J. DONLEY MAYOR

ATTEST:


Beverly I. Jett, CMC City Clerk

**CERTIFICATE OF THE CLERK OF THE CIRCUIT COURT
OF THE CITY OF ALEXANDRIA, VIRGINIA WITH RESPECT TO
GENERAL OBLIGATION BOND RESOLUTION**

The undersigned certifies that there has been filed with the Circuit Court of the City of Alexandria, Virginia, as required by Section 15.2-2607 of the Code of Virginia of 1950, as amended, a certified copy of a Resolution authorizing the issuance and sale of City of Alexandria, Virginia, General Obligation Capital Improvement Bonds, Series 2001, adopted June 12, 2001.

Dated: July 18, 2001



Clerk, Circuit Court of the City of Alexandria,
Virginia

At a regular meeting of the City Council of the City of Alexandria, Virginia, held on the 12th day of June, 2001, the following City Council Members were recorded present:

- PRESENT:** Mayor Kerry J. Donley
 Vice Mayor William C. Cleveland
 Councilwoman Claire M. Eberwein
 Councilman William D. Euille
 Councilwoman Redella S. Pepper
 Councilman David G. Speck
 Councilwoman Joyce Woodson

On motion by Councilman Euille, seconded by Councilwoman Pepper, the attached Resolution was adopted by a majority of the members of the City Council by a roll call vote, the votes being recorded as follows:

MEMBER

VOTE

Mayor Kerry J. Donley	"Aye"
Vice Mayor William C. Cleveland	"Aye"
Councilwoman Claire M. Eberwein	"Aye"
Councilman William D. Euille	"Aye"
Councilwoman Redella S. Pepper	"Aye"
Councilman David G. Speck	out of room
Councilwoman Joyce Woodson	"Aye"


 Beverly I. Jett, CMC City Clerk

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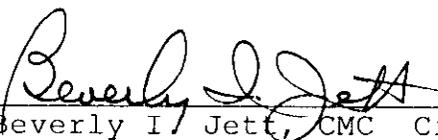
Effective Date. This Resolution shall take effect upon the date of its adoption.

ADOPTED: June 12, 2001



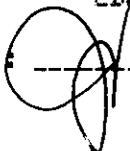
 KERRY J. DONLEY MAYOR

ATTEST:



 Beverly I. Jett, CMC City Clerk

INSTRUMENT #010017041
 RECORDED IN THE CLERK'S OFFICE OF
 ALEXANDRIA ON
 JULY 18, 2001 AT 03:29PM
 EDWARD SEMONIAN, CLERK

BY:  _____ (DC)

COMMONWEALTH OF VIRGINIA



OFFICIAL RECEIPT
ALEXANDRIA CIRCUIT COURT
DEED RECEIPT

DATE: 07/18/01 TIME: 15:28:11 ACCOUNT: 510018010017041 RECEIPT: 01000030286
 CARRIER: NLS REG: 0025 TYPE: OTHER PAYMENT: FULL PAYMENT
 INSTRUMENT : 010017041 BOOK: PAGE: RECORDED: 07/18/01 AT 15:28
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 GRANTEE: J EX: N FDT: 100%

AND ADDRESS : K
 RECEIVED OF : EX 18834E
 CHECK : \$16.00

DESCRIPTION 1: PAGES: 3
 2: NAMES: 0
 3: MAP:

CONSIDERATION:	.00	ASSUME/VAL:	.00		
CODE DESCRIPTION		PAID	CODE	DESCRIPTION	PAID
501 DEEDS		14.50	145	VSLF	1.50

TENDERED : 16.00
 AMOUNT PAID: 16.00
 CHANGE AMT : .00

CLERK OF COURT: EDWARD SEMONIAN