

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: RESOLUTION AUTHORIZING THE ISSUANCE OF BONDS BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX COUNTY, VIRGINIA FOR THE INOVA ALEXANDRIA HOSPITAL AND CERTAIN AFFILIATED ENTITIES

ISSUE: Resolution authorizing the issuance of bonds by the Industrial Development Authority of Fairfax County, Virginia in an amount up to \$590 million to assist the Inova Alexandria Hospital and certain affiliated entities in financing or refinancing projects in the City of Alexandria, Fairfax County and Loudoun County.

RECOMMENDATION: That City Council adopt the attached resolution (Attachment 1) as recommended by the Alexandria Industrial Development Authority (AIDA) at its meeting on April 12, 2005.

DISCUSSION: On March 29, 2005, AIDA adopted a Resolution (Attachment 2) authorizing the issuance of up to \$590 million in bonds of the Industrial Development Authority of Fairfax County, Virginia (the "Bonds") to assist the Inova Alexandria Hospital and certain affiliated entities in the following:

- The City of Alexandria:
 1. Renovating and expanding certain portions of Inova Alexandria Hospital including:
 - a. The construction and equipping of 68,000 square feet of space which will include a new 12-bed Clinical Decision Unit in the Emergency Department, two additional operating rooms, additional space for the Laboratory Department and shell space for future clinical use,
 - b. The renovation and equipping of the Cardiovascular Interventional Radiology area which will include invasive procedure laboratories, two new rooms for cardiovascular ultrasound and dedicated electrophysiology and catheterization laboratories, and
 - c. The renovation and equipping of surgical support areas.

2. Acquiring certain capital equipment for use in or in connection with Inova Alexandria Hospital and renovating any space necessary or incidental to the installation of such equipment;
- Fairfax County:
 1. Renovating and expanding certain portions of Inova Fairfax Hospital,
 2. Acquiring certain capital equipment for use in or in connection with Inova Fairfax Hospital and renovating any space necessary or incidental to the installation of such equipment,
 3. Renovating and expanding certain portions of Inova Fair Oaks Hospital,
 4. Acquiring certain capital equipment for use in or in connection with Inova Fair Oaks Hospital and renovating any space necessary or incidental to the installation of such equipment,
 5. Acquiring certain capital equipment for use in or in connection with Inova Mount Vernon Hospital and renovating any space necessary or incidental to the installation of such equipment, and
 6. Refunding all or a portion of the Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds;
 - Loudoun County:
 1. Refinancing bonds issued by the Industrial Development Authority of Loudoun County for the Loudoun Hospital Center; and
 - All Locations:
 1. Financing or refinancing all or a portion of the cost of routine improvements to and the acquisition of computer equipment, office equipment, network and telecommunications upgrades, clinical and financial systems and various infrastructure and applications development systems for the Computer System Facility,
 2. Financing or refinancing a portion of the interest accruing on the Bonds during the construction period and for a reasonable period thereafter,
 3. Financing a debt service reserve fund for the Bonds, and
 4. Paying certain expenses incurred in connection with the authorization, issuance and sale of the Bonds.

The Inova Health System Foundation is a private, nonstock corporation duly incorporated by virtue of the laws of the Commonwealth of Virginia. Its affiliates include Inova Alexandria Hospital, Inova Health Care Services and Loudoun Hospital Center. Inova Alexandria Hospital is a private, nonstock corporation which operates Inova Alexandria Hospital located in the City of Alexandria, Virginia. Inova Alexandria Hospital is a nonprofit organization as described in Sections 501(c)(3) of the Internal Revenue Code of 1986, as amended. Inova Alexandria Hospital is exempted from real and personal property taxes in Alexandria.

Since the Inova Alexandria Hospital is located in the City of Alexandria, the Industrial Development Authority of Fairfax County, Virginia is not permitted to issue the Bonds without the consent of the City Council of the City of Alexandria. Section 15.2-4905 of the Code of Virginia provides that if a locality has created an industrial development authority, no industrial development authority created by a second locality may finance a facility located in the first locality unless the governing body of such first locality concurs with the inducement resolution adopted in connection with such financing by the second locality.

FISCAL IMPACT: The City is not obligated to repay the Bonds or the interest on the Bonds. The Bonds do not contain any pledge of the City's faith and credit. The obligation rests solely with the Inova Alexandria Hospital and its affiliates. The Inova Alexandria Hospital and its affiliates have agreed to provide a full indemnification without limitation to the AIDA and the City of Alexandria. The AIDA will receive a fee of approximately \$81,750 for their consent for the issuance of the Bonds by the Industrial Development Authority of Fairfax County. The fee is based on the portion of the Bonds that are being issued for projects in the City (approximately \$32.2 million). These fees are paid by the City and are earmarked to help support the budget of the Alexandria Economic Development Partnership (AEDP).

ATTACHMENTS:

Attachment 1: Proposed Council Resolution

Attachment 2: Letter from AIDA Dated March 29, 2005

Attachment 3: AIDA Certificate Evidencing the Conduct of the Public Hearing and Action Taken by AIDA

Attachment 4: Inducement Resolution of the Industrial Development Authority of Fairfax County, Virginia

Attachment 5: Fiscal Impact Statement for Proposed Bond Financing

STAFF:

Mark Jinks, Assistant City Manager for Fiscal & Financial Affairs

D. A. Neckel, Director of Finance

Paula Riley, Executive Director, AEDP

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALEXANDRIA, VIRGINIA
WITH RESPECT TO INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX
COUNTY, VIRGINIA REVENUE BOND FINANCING FOR INOVA ALEXANDRIA
HOSPITAL AND CERTAIN AFFILIATED ENTITIES

WHEREAS, the Industrial Development Authority of the City of Alexandria (“Alexandria Authority”) has considered a request of Inova Alexandria Hospital and certain affiliated entities (collectively, “Inova”), which are organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (“Code”), requesting the Alexandria Authority and the City Council of the City of Alexandria, Virginia (“City Council”) approve the issuance by the Industrial Development Authority of Fairfax County, Virginia (“Fairfax Authority”) of the Fairfax Authority’s revenue bonds in an amount not to exceed \$590,000,000 (“Bonds”) to assist Inova in financing or refinancing all or part of the following plan of financing (collectively, “Plan of Financing”) for the benefit of Inova: (i) to finance or refinance for Inova Alexandria Hospital all or a portion of the cost of (A) renovating and expanding certain portions of Inova Alexandria Hospital, including (1) the construction and equipping of 68,000 square feet of space which will include a new 12-bed Clinical Decision Unit in the Emergency Department, two additional operating rooms, additional space for the Laboratory Department and shell space for future clinical use, (2) the renovation and equipping of the Cardiovascular Interventional Radiology area which will include invasive procedure laboratories, two new rooms for cardiovascular ultrasound, and dedicated electrophysiology and catheterization laboratories, and (3) the renovation and equipping of surgical support areas, and (B) acquiring certain capital equipment for use in or in connection with Inova Alexandria Hospital and renovating any space necessary or incidental to the installation of such equipment (the “Inova Alexandria Hospital Project”); (ii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fairfax Hospital, including (1) the construction of a 10-level, 2,350 space parking structure, (2) the construction and equipping of a three-story, 86,000 square foot support services building which will include new food receiving, preparation and delivery areas, a main loading dock, receiving and waste removal area on the ground floor, nonclinical administrative office areas and 10,000 square feet of mechanical and connector space, as well as vertical expansion capabilities, (3) the upgrading of the existing Central Power Plant which will include an additional cooling tower, two chillers and emergency power generators and electrical upgrades, (4) the construction and equipping of a steam, chilled water and utilities “loop” which will include an extension of the underground utilities tunnel from the Inova Heart Institute to the Central Power Plant, and (5) the construction and equipping of food pantries throughout Inova Fairfax Hospital, and (B) acquiring certain capital equipment for use in or in connection with Inova Fairfax Hospital and renovating any space necessary or incidental to the installation of such equipment (the “Inova Fairfax Hospital Project”); (iii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fair Oaks Hospital, including (1) the completion and equipping of 28,300 square feet of previously constructed shell space to house a new 36-bed general surgery inpatient unit which will accommodate an additional 22 licensed beds and include space for orthopedic and joint replacement surgery and rehabilitation facilities, and (2) the construction and equipping of interventional radiology and CT scan facilities which will include the addition of a second treatment room doubling the capacity of the International

Radiology Suite and 2,850 square feet of new space with waiting and recovery rooms, physician offices, examination rooms, vascular ultrasound and storage areas and space for the relocation of the CT scan facility and the housing of a third high speed CT scanner and (B) acquiring certain capital equipment for use in or in connection with Inova Fair Oaks Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fair Oaks Hospital Project"); (iv) to finance or refinance for Inova Health Care Services all or a portion of the cost of acquiring certain capital equipment for use in or in connection with Inova Mount Vernon Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Mount Vernon Hospital Project"); (v) to finance or refinance for Inova Health Care Services and/or its affiliates all or a portion of the cost of routine improvements to, and the acquisition of computer equipment, office equipment, network and telecommunications upgrades, clinical and financial systems and various infrastructure and application development systems for, the Computer System Facility (the "Information Technology Project" and, together with the Inova Alexandria Hospital Project, the Inova Fairfax Hospital Project, the Inova Fair Oaks Hospital Project and the Inova Mount Vernon Hospital Project, the "2005 Project"); (vi) to refinance for Loudoun Hospital Center the cost of certain assets financed or refinanced with (A) the \$67,785,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 1995 and (B) the \$18,365,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 2002A; (vii) to refund all or a portion of the \$104,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 1996A; (viii) to refund all or a portion of the \$200,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 2001; (ix) to finance or refinance a portion of the interest accruing on the Bonds during the construction period, and a reasonable period thereafter, of the 2005 Project; (x) to fund a debt service reserve fund for the Bonds, if in the opinion of Inova Health Care Services at the time of the sale of the Bonds, a debt service reserve fund is warranted; and (xi) to pay certain expenses incurred in connection with the authorization, issuance and sale of the Bonds; and has held a public hearing with respect to the Plan of Financing on March 29, 2005;

WHEREAS, Section 147(f) of the Code provides that the governmental unit having jurisdiction over the issuer of private activity bonds and over the area in which any facility financed with the proceeds of private activity bonds is located must approve the issuance of the bonds and Section 15.2-4906 of the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended ("Act"), sets forth the procedure for such approval;

WHEREAS, Section 15.2-4905 of the Act provides that if a locality has created an industrial development authority, no industrial development authority created by a second locality may finance a facility located in the first locality unless the governing body of such first locality concurs with the inducement resolution adopted in connection with such financing by the second locality;

WHEREAS, a certain of the facilities to be financed with the proceeds of the Bonds are located in the City of Alexandria and the City Council constitutes the highest elected governmental unit of the City of Alexandria;

WHEREAS, the Fairfax Authority adopted an inducement resolution (the "Inducement Resolution") with respect to the Bonds on March 11, 2005 and the Alexandria Authority has recommended that the City Council concur in the Inducement Resolution and approve the issuance of the Bonds by the Fairfax Authority in order to comply with Section 147(f) of the Code and Section 15.2-4906 of the Act;

WHEREAS, a copy of the Inducement Resolution, a certificate evidencing conduct of the public hearing and the action taken by the Alexandria Authority, and a Fiscal Impact Statement have been filed with the City Council; and

WHEREAS, the Alexandria Authority has recommended that the City Council concur in the Inducement Resolution and approve the issuance of the Bonds.

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

1. The City Council concurs in the Inducement Resolution and approves the issuance of the Bonds by the Fairfax Authority as required by Section 147(f) of the Code and Sections 15.2-4905 and 15.2-4906 of the Act in order to permit the Alexandria Authority to assist Inova in the financing.

2. The City Council's approval of the issuance of the Bonds by the Fairfax Authority does not constitute an endorsement to a prospective purchaser of the Bonds or the creditworthiness of Inova. The issuance of revenue bonds as requested by Inova will not constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or the City of Alexandria, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof will be pledged to the payment of such bonds. Neither the City of Alexandria nor the Alexandria Authority shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto.

3. This resolution shall take effect immediately upon its adoption.

Adopted by the City Council of the City of Alexandria, Virginia this 12th day of April, 2005.

At a regular meeting of the City Council of the City of Alexandria, Virginia ("City Council"), held on the 12th day of April, 2005 the following members of the City Council were recorded as present:

PRESENT:

On motion by _____, seconded by _____, the attached Resolution was adopted by a majority of the members of the City Council, the votes being recorded as follows:

MEMBER

VOTE

March 29, 2005

City Council of
the City of Alexandria, Virginia
P.O. Box 178
301 King Street
Alexandria, Virginia 22314

Industrial Development Authority of the City of Alexandria
Proposed Industrial Development Authority of Fairfax County, Virginia Plan of Financing for
Inova Alexandria Hospital and certain affiliated entities

Inova Alexandria Hospital and certain affiliated entities (collectively, "Inova"), which are all organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code"), have requested that the Industrial Development Authority of the City of Alexandria, Virginia ("Alexandria Authority") recommend approval to the City Council of the City of Alexandria ("City Council") of the issuance by the Industrial Development Authority of Fairfax County, Virginia ("Fairfax Authority") of its revenue bonds ("Bonds") in an amount not to exceed \$590,000,000 to assist Inova in financing and refinancing all or part of the following plan of financing (collectively, "Plan of Financing") for the purpose of providing funds to undertake any or all of the following: (i) to finance or refinance for Inova Alexandria Hospital all or a portion of the cost of (A) renovating and expanding certain portions of Inova Alexandria Hospital, including (1) the construction and equipping of 68,000 square feet of space which will include a new 12-bed Clinical Decision Unit in the Emergency Department, two additional operating rooms, additional space for the Laboratory Department and shell space for future clinical use, (2) the renovation and equipping of the Cardiovascular Interventional Radiology area which will include invasive procedure laboratories, two new rooms for cardiovascular ultrasound, and dedicated electrophysiology and catheterization laboratories, and (3) the renovation and equipping of surgical support areas, and (B) acquiring certain capital equipment for use in or in connection with Inova Alexandria Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Alexandria Hospital Project"); (ii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fairfax Hospital, including (1) the construction of a 10-level, 2,350 space parking structure, (2) the construction and equipping of a three-story, 86,000 square foot support services building which will include new food receiving, preparation and delivery areas, a main loading dock, receiving and waste removal area on the ground floor, nonclinical administrative office areas and 10,000 square feet of mechanical and connector space, as well as vertical expansion capabilities, (3) the upgrading of the existing Central Power Plant which will include an additional cooling tower, two chillers and emergency power generators and electrical upgrades, (4) the construction and equipping of a steam, chilled water and utilities "loop" which will include an extension of the underground utilities tunnel from the Inova Heart Institute to the Central Power Plant, and (5) the construction and equipping of food pantries throughout Inova Fairfax Hospital, and (B) acquiring certain capital equipment for use in or in connection with Inova Fairfax Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fairfax Hospital Project"); (iii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating

and expanding certain portions of Inova Fair Oaks Hospital, including (1) the completion and equipping of 28,300 square feet of previously constructed shell space to house a new 36-bed general surgery inpatient unit which will accommodate an additional 22 licensed beds and include space for orthopedic and joint replacement surgery and rehabilitation facilities, and (2) the construction and equipping of interventional radiology and CT scan facilities which will include the addition of a second treatment room doubling the capacity of the International Radiology Suite and 2,850 square feet of new space with waiting and recovery rooms, physician offices, examination rooms, vascular ultrasound and storage areas and space for the relocation of the CT scan facility and the housing of a third high speed CT scanner and (B) acquiring certain capital equipment for use in or in connection with Inova Fair Oaks Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fair Oaks Hospital Project"); (iv) to finance or refinance for Inova Health Care Services all or a portion of the cost of acquiring certain capital equipment for use in or in connection with Inova Mount Vernon Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Mount Vernon Hospital Project"); (v) to finance or refinance for Inova Health Care Services and/or its affiliates all or a portion of the cost of routine improvements to, and the acquisition of computer equipment, office equipment, network and telecommunications upgrades, clinical and financial systems and various infrastructure and application development systems for, the Computer System Facility (the "Information Technology Project" and, together with the Inova Alexandria Hospital Project, the Inova Fairfax Hospital Project, the Inova Fair Oaks Hospital Project and the Inova Mount Vernon Hospital Project, the "2005 Project"); (vi) to refinance for Loudoun Hospital Center the cost of certain assets financed or refinanced with (A) the \$67,785,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 1995 and (B) the \$18,365,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 2002A; (vii) to refund all or a portion of the \$104,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 1996A; (viii) to refund all or a portion of the \$200,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 2001; (ix) to finance or refinance a portion of the interest accruing on the Bonds during the construction period, and a reasonable period thereafter, of the 2005 Project; (x) to fund a debt service reserve fund for the Bonds, if in the opinion of Inova Health Care Services at the time of the sale of the Bonds, a debt service reserve fund is warranted; and (xi) to pay certain expenses incurred in connection with the authorization, issuance and sale of the Bonds.

Because a portion of the Bonds will be used to finance facilities to be located in the City of Alexandria, Virginia, Section 15.2-4905 of the Code of Virginia of 1950, as amended ("Virginia Code"), and Section 147 of the Code require concurrence by the City Council with the issuance of the Bonds as described in the resolution adopted by the Fairfax Authority on March 11, 2005 ("Fairfax Inducement Resolution") and concurrence with such Fairfax Inducement Resolution.

The Alexandria Authority has conducted a public hearing on the proposed Plan of Financing and has recommended that the City Council concur in the Fairfax Inducement Resolution and approve the issuance of the Bonds as required by the Code and Virginia Code Section 15.2-4906.

Attached hereto is (1) a copy of the Fairfax Inducement Resolution, (2) a certificate evidencing the conduct of the public hearing and the action taken by the Alexandria Authority,

(3) the Fiscal Impact Statement required pursuant to Virginia Code Section 15.2-4907, and (4) the form of resolution suggested by counsel to evidence the approval of the City Council.

Vice Chairman *Ronald T. Simpson, Sr.*
Secretary, Industrial Development Authority of the
City of Alexandria

CERTIFICATE

Vice Chairman

The undersigned ~~Secretary~~ of the Industrial Development Authority of the City of Alexandria ("Alexandria Authority") certifies as follows:

1. A meeting of the Alexandria Authority was duly called and held on March 29, 2005 at 5:00 p.m. at the offices of Alexandria Economic Development Partnership, Inc. at 1729 King Street, Suite 410, Alexandria, Virginia, pursuant to proper notice given to each Director of the Alexandria Authority before such meeting. The meeting was open to the public. The time of the meeting and the place at which the meeting was held provided a reasonable opportunity for persons of differing views to appear and be heard.

2. The Vice Chairman announced the commencement of a public hearing on the request of Inova Alexandria Hospital and certain affiliated entities, and that a notice of the hearing was published once a week for two successive weeks in a newspaper having general circulation in the City of Alexandria, Virginia (the "Notice"), with the second publication appearing not less than seven days nor more than twenty-one days prior to the hearing date. A copy of the Notice is attached as Exhibit A and has been filed with the minutes of the Alexandria Authority.

3. A summary of the statements made at the public hearing is attached as Exhibit B.

4. Attached as Exhibit C is a true, correct and complete copy of a resolution (the "Resolution") adopted at such meeting of the Alexandria Authority by a majority of the Directors present at such meeting. The Resolution constitutes all formal action taken by the Alexandria Authority at such meeting relating to matters referred to in the Resolution. The Resolution has not been repealed, revoked, rescinded or amended and is in full force and effect on this date.

WITNESS my hand and the seal of the Alexandria Authority, this 29th day of March, 2005.

Ronald F. Simpson, Sr.
Vice Chairman - Secretary, Industrial Development Authority of the
City of Alexandria

[SEAL]

Exhibits:

- A - Copy of Certified Notice
- B - Summary of Statements
- C - Resolution



PROOF OF PUBLICATION

I, James McDonald, Publisher of the Northern Virginia Examiner, (Virginia Edition) a newspaper in the area of Northern Virginia, published in the English language and having a bona fide list of paid subscribers located in the Northern Virginia area, and entered in a newspaper of record according to the Laws and Regulations of the United State of America for 52 successive weeks or more prior to the issue of 03/15/05, certify that the notice of HEALTH

for
MCGUIRE WOODS, LLP
attached hereto has been published on
03/15/2005, 03/22/2005.

James McDonald

Sworn to and subscribed before me this
22nd day of March , 2005.

My Commission expires

My Commission Expires September 30, 2007

Ad number: 17505186
End date: 03/22/2005
03/15/2005, 03/22/2005
MCGUIRE WOODS, LLP
LINDA S. HAYNES

NOTICE OF PUBLIC HEARING BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA REGARDING THE PLAN OF FINANCING AND REFINANCING OF CERTAIN HEALTH CARE FACILITIES WITH THE PROCEEDS OF THE ISSUANCE OF TAX-EXEMPT BONDS BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX COUNTY, VIRGINIA

NOTICE IS HEREBY GIVEN to all interested persons that the Industrial Development Authority of Fairfax County, Virginia (the "Authority") is considering the approval of a plan of financing and refinancing (the "Plan of Financing") which will entail the issuance by the Authority from time to time of one or more series of its revenue bonds (the "Bonds"), in an aggregate principal amount not exceeding \$590,000,000 outstanding at any one time, for the purpose of providing funds to undertake any or all of the following: (i) to finance or refinance for Inova Alexandria Hospital ("Alexandria Hospital") all or a portion of the cost of (A) renovating and expanding certain portions of Inova Alexandria Hospital, including (1) the construction and equipping of 68,000 square feet of space which will include a new 12-bed Clinical Decision Unit in the Emergency Department, two additional operating rooms, additional space for the Laboratory Department and shell space for future clinical use, (2) the renovation and equipping of the Cardiovascular Interventional Radiology area which will include invasive procedure laboratories, two new rooms for cardiovascular ultrasound, and dedicated electrophysiology and catheterization laboratories, and (3) the renovation and equipping of surgical support areas, and (B) acquiring certain capital equipment for use in or in connection with Inova Alexandria Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Alexandria Hospital Project"); (ii) to finance or refinance for Inova Health Care Services ("Inova Health Care") all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fairfax Hospital, including (1) the construction of a 10-level, 2,350 space parking structure, (2) the construction and equipping of a three-story, 86,000 square foot support services building which will include new food receiving, preparation and delivery areas, a main loading dock, receiving and waste removal area on the ground floor, nonclinical administrative office areas and 10,000 square feet of mechanical and connector space, as well as vertical expansion capabilities, (3) the upgrading of the existing Central Power Plant which will include an additional cooling tower, two chillers and emergency power generators and electrical upgrades, (4) the construction and equipping of a steam, chilled water and utilities "loop" which will include an extension of the underground utilities tunnel from the Inova Heart Institute to the Central Power Plant, and (5) the construction and equipping of food pantries throughout Inova Fairfax Hospital, and (B) acquiring certain capital equipment for use in or in connection with Inova Fairfax Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fairfax Hospital Project"); (iii) to finance or refinance for Inova Health Care all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fair Oaks Hospital, including (1) the completion and equipping of 28,300 square feet of previously constructed shell space to house a new 36-bed general surgery inpatient unit which will accommodate an additional 22 licensed beds and include space for orthopedic and joint replacement surgery and rehabilitation facilities, and (2) the construction and equipping of interventional radiology and CT scan facilities which will include the addition of a second treatment room doubling the capacity of the International Radiology Suite and 2,850 square feet of new space with waiting and recovery rooms, physician offices, examination rooms, vascular ultrasound and storage areas and space for the relocation of the CT scan facility and the housing of a third high speed CT scanner and (B) acquiring certain capital equipment for use in or in connection with Inova Fair Oaks Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fair Oaks Hospital Project"); (iv) to finance or refinance for Inova Health Care all or a portion of the cost of acquiring certain capital equipment for use in or in connection with Inova Mount Vernon Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Mount Vernon Hospital Project"); (v) to finance or refinance for Inova Health Care and/or its affiliates all or a portion of the cost of routine improvements to, and the acquisition of computer equipment, office equipment, network and telecommunications upgrades, clinical and financial systems and various infrastructure and application development systems for, the Computer System Facility (the "Information Technology Project") and, together with the Inova Alexandria Hospital Project, the Inova Fairfax Hospital Project, the Inova Fair Oaks Hospital Project and the Inova Mount Vernon Hospital Project, the "2005 Project"; (vi) to refinance for Loudoun Hospital Center ("Loudoun Hospital Center") the cost of certain assets financed or refinanced with (A) the \$67,785,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 1995 (the "Series 1995 Bonds") and (B) the \$18,365,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 2002A (the "Series 2002A Bonds"); (vii) to refund all or a portion of the \$104,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 1996A (the "Series 1996A Bonds"); (viii) to refund all or a portion of the \$200,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 2001 (the "Series 2001 Bonds") and, collectively with the Series 1995 Bonds, the Series 1996A Bonds and the Series 2002A Bonds, the "Prior Bonds"; (ix) to finance or refinance a portion of the interest accruing on the Bonds during the construction period, and a reasonable period thereafter, of the 2005 Project; (x) to fund a debt service reserve fund for the Bonds, if in the opinion of Inova Health Care at the time of the sale of the Bonds, a debt service reserve fund is warranted; and (xi) to pay certain expenses incurred in connection with the authorization, issuance and sale of the Bonds.

The proceeds derived from the sale of the Series 1995 Bonds were applied (i) to finance a portion of the costs of the acquisition, construction and equipping of an 80-bed replacement hospital facility ("Loudoun Hospital") and certain other capital projects located in Loudoun County, Virginia (collectively, the "1995 Loudoun Project"); (ii) to pay the interest accruing on the Series 1995 Bonds allocable to the 1995 Loudoun Project through November 30, 1997; (iii) to refund (a) the then outstanding Industrial Development Authority of Loudoun County, Virginia Hospital Facility First Mortgage Revenue Bonds (Loudoun Memorial Hospital), Series 1980, issued in the original principal amount of \$7,200,000 to acquire certain equipment for and to make improvements to Loudoun Hospital Center's then existing acute care facility, and (b) the then outstanding Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center) Series 1990, issued in the original principal amount of \$10,000,000 to repay certain of Loudoun Hospital Center's then existing taxable debt, to pay for improvements and equipment installed at Loudoun Hospital Center's then existing facilities and to pay for the purchase of other medical facilities; (iv) to fund a debt service reserve fund for the Series 1995 Bonds; and (v) to pay certain costs of issuance of the Series 1995 Bonds.

The proceeds derived from the sale of the Series 1996A Bonds were applied (i) to finance all or a portion of the costs of certain projects for Inova Health Care, including (a) the construction, renovation and equipping of the radiology and central pre-operative testing units at Inova Fairfax Hospital, (b) the renovation and equipping of the operating rooms and the cardiac/transplant monitors at Inova Fairfax Hospital, (c) the renovation and upgrading of the electro-physiology laboratory, the electro-physio special procedures room and the kitchen and chiller plant facilities at Inova Fairfax Hospital, (d) the renovation and equipping of a storm water management system along with general facility upgrades at Inova Fairfax Hospital, (e) the renovation of the rehabilitation nursing unit and the ICU/CCU units at Inova Mount Vernon Hospital, (f) the renovation and upgrading of the electrical system at Inova Mount Vernon Hospital, (g) the renovation and upgrading of the MRI at Inova Mount Vernon Hospital, (h) the construction, renovation and equipping of the orthopaedic operating room at Inova Mount Vernon Hospital, (i) the upgrading of patient care information systems at the Computer System Facility, Inova Fairfax Hospital and Inova Fair Oaks Hospital, (j) the renovation of the recovery rooms at Inova Fair Oaks Hospital, (k) the construction of emergency rooms at Inova Fair Oaks Hospital, (l) the purchase and installation of computer hardware and software at Inova Fairfax Hospital, Inova Mount Vernon Hospital, Inova Fair Oaks Hospital and the Computer System Facility, and (m) the purchase of equipment and routine renovations at Inova Fairfax Hospital, Inova Fair Oaks Hospital, Inova Mount Vernon Hospital and the Computer System Facility; and (ii) to pay certain expenses incurred in connection with the issuance of the Series 1996A Bonds.

The proceeds derived from the sale of the Series 2001 Bonds were applied (i) to finance all or a portion of the costs of certain projects for Inova Health Care and its affiliates, including (a) the cost of internal renovations and acquiring routine medical and computer equipment for use at Inova Fairfax Hospital, Inova Fair Oaks Hospital and Inova Mount Vernon Hospital; (b) the cost of routine improvements to the Computer System Facility, including, but not limited to, network and telecommunications upgrades, clinical and financial systems, and various infrastructure and application development systems; (c) the cost of the following projects at Inova Fairfax Hospital: (1) the expansion and consolidation of most of the facilities of the cardiology department, including the construction of a four-story building with basement parking known as the Inova Heart Institute to house 160 beds, cardiac catheterization laboratories, electrophysiology laboratories and non-invasive diagnostic laboratories; (2) the renovation and expansion of the existing emergency department, including construction of new space and the renovation of space, to increase the number of treatment areas from 35 to 55, to accommodate a new walk-in entrance and ambulance dock and to add support space; (3) the construction of a 980-space, five-level parking garage; and (4) the renovation and reconfiguration of space vacated by the cardiology department upon the completion of the Inova Heart Institute to accommodate the expansion of inpatient, outpatient and ancillary support services; and (d) the cost of the following projects at Inova Fair Oaks Hospital: the renovation and expansion of the inpatient, ambulatory and emergency departments, including the construction of a four-story patient tower, which functions as the new front entrance of Inova Fair Oaks Hospital, the renovation of existing space, the restoration of the number of licensed beds to 160, an increase in the number of operating rooms from 8 to 10, and the reorientation of the hospital campus to improve patient flow and access, with improvements including, but not limited to, additional parking, safer pedestrian access, reorientation of existing campus traffic patterns and improvements to Rugby Road; and (ii) to pay certain expenses incurred in connection with the issuance of the Series 2001 Bonds.

The proceeds derived from the sale of the Series 2002A Bonds were applied (i) to finance a portion of the cost of the following projects at Loudoun Hospital: (a) the construction and equipping of a 24-bed replacement maternity ward, (b) the renovation and conversion of the then existing maternity ward to a 37-bed medical/surgical unit and (c) the renovation and expansion of the then existing Emergency Department; (ii) to pay a portion of the interest accruing on the Series 2002A Bonds; (iii) to fund a debt service reserve fund for the Series 2002A Bonds; and (iv) to pay certain costs of issuance of the Series 2002A Bonds.

All references in the foregoing to square footage, number of rooms, beds, units or parking spaces and similar quantitative measurements are approximations. Inova Fair Oaks Hospital is located at 3600 Joseph Siewick Drive, Fairfax, Virginia 22033. Inova Fairfax Hospital is located at 3300 Gallows Road, Falls Church, Virginia 22046. Inova Mount Vernon Hospital is located at 2501 Parker's Lane, Alexandria, Virginia 22308. The Computer System Facility is located at 3847 Pickett Road, Fairfax, Virginia 22030. Inova Alexandria Hospital is located at 4320 Seminary Road, Alexandria, Virginia 22304. Loudoun Hospital is located at 44055 Riverside Parkway, Leesburg, Virginia 20176. Inova Fair Oaks Hospital is, and the Inova Fair Oaks Hospital Project will be, operated by Inova Health Care. Inova Fairfax Hospital is, and the Inova Fairfax Hospital Project will be, operated by Inova Health Care. Inova Mount Vernon Hospital is, and the Inova Mount Vernon Hospital Project will be, operated by Inova Health Care. Inova Alexandria Hospital is, and the Inova Alexandria Hospital Project will be, operated by Alexandria Hospital. Loudoun Hospital is operated by Loudoun Hospital Center. The Computer System Facility is, and the Information Technology Project will be, operated by Inova Health Care and its affiliates.

Please take notice that the Industrial Development Authority of the City of Alexandria (the "Alexandria Authority") will hold a public hearing at the offices of the Alexandria Economic Development Partnership, Inc. at 1729 King Street, Suite 410, Alexandria, Virginia, on March 29, 2005 at 5:00 p.m., at which time any person may be heard regarding the Plan of Financing, including the issuance of the Bonds or any of the facilities included in the 2005 Project or which were financed or refinanced by the Prior Bonds.

Neither the Authority, its Board of Directors nor any person acting on their behalf in executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds shall not be a debt of the County of Fairfax, the County of Loudoun, the City of Alexandria, the Commonwealth of Virginia or any political subdivision thereof, including the Authority, the Industrial Development Authority of Loudoun County, Virginia (the "Loudoun Authority") and the Alexandria Authority, and neither the County of Fairfax, the County of Loudoun, the City of Alexandria, the Commonwealth of Virginia or any political subdivision thereof, including the Authority, the Loudoun Authority and the Alexandria Authority, shall be liable for any payment on the Bonds, and in no event shall any such payment be made or become payable out of any funds or property, except from any funds or property specifically pledged to secure such payment.

INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF ALEXANDRIA

March 15 & 22, 2005

NVA17505186hc

EXHIBIT B TO CERTIFICATE

Summary of Statements

Representatives of Inova Alexandria Hospital and certain affiliated entities appeared before the Alexandria Authority to explain the proposed plan of financing. No one appeared in opposition to the proposed bond issue.

RESOLUTION OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA RECOMMENDING APPROVAL BY THE CITY COUNCIL OF THE CITY OF ALEXANDRIA, VIRGINIA OF A PROPOSED ISSUE OF REVENUE BONDS BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF FAIRFAX COUNTY, VIRGINIA IN AN AMOUNT NOT TO EXCEED \$590,000,000 FOR THE BENEFIT OF INOVA ALEXANDRIA HOSPITAL AND CERTAIN AFFILIATED ENTITIES

WHEREAS, the Industrial Development Authority of the City of Alexandria (“Alexandria Authority”) has received a request from Inova Alexandria Hospital and certain affiliated entities (collectively, “Inova”), requesting that the Alexandria Authority and the City Council of the City of Alexandria, Virginia (“City Council”) approve the issuance by the Industrial Development Authority of Fairfax County, Virginia (“Fairfax Authority”) of its revenue bonds (the “Bonds”) in an amount not to exceed \$590,000,000 to assist Inova in financing or refinancing all or part of the following plan of financing (collectively, “Plan of Financing”) for the benefit of Inova: (i) to finance or refinance for Inova Alexandria Hospital all or a portion of the cost of (A) renovating and expanding certain portions of Inova Alexandria Hospital, including (1) the construction and equipping of 68,000 square feet of space which will include a new 12-bed Clinical Decision Unit in the Emergency Department, two additional operating rooms, additional space for the Laboratory Department and shell space for future clinical use, (2) the renovation and equipping of the Cardiovascular Interventional Radiology area which will include invasive procedure laboratories, two new rooms for cardiovascular ultrasound, and dedicated electrophysiology and catheterization laboratories, and (3) the renovation and equipping of surgical support areas, and (B) acquiring certain capital equipment for use in or in connection with Inova Alexandria Hospital and renovating any space necessary or incidental to the installation of such equipment (the “Inova Alexandria Hospital Project”); (ii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fairfax Hospital, including (1) the construction of a 10-level, 2,350 space parking structure, (2) the construction and equipping of a three-story, 86,000 square foot support services building which will include new food receiving, preparation and delivery areas, a main loading dock, receiving and waste removal area on the ground floor, nonclinical administrative office areas and 10,000 square feet of mechanical and connector space, as well as vertical expansion capabilities, (3) the upgrading of the existing Central Power Plant which will include an additional cooling tower, two chillers and emergency power generators and electrical upgrades, (4) the construction and equipping of a steam, chilled water and utilities “loop” which will include an extension of the underground utilities tunnel from the Inova Heart Institute to the Central Power Plant, and (5) the construction and equipping of food pantries throughout Inova Fairfax Hospital, and (B) acquiring certain capital equipment for use in or in connection with Inova Fairfax Hospital and renovating any space necessary or incidental to the installation of such equipment (the “Inova Fairfax Hospital Project”); (iii) to finance or refinance for Inova Health Care Services all or a portion of the cost of (A) renovating and expanding certain portions of Inova Fair Oaks Hospital, including (1) the completion and equipping of 28,300 square feet of previously constructed shell space to house a new 36-bed general surgery inpatient unit which will accommodate an additional 22 licensed beds and include space for orthopedic and joint replacement surgery and rehabilitation facilities, and (2) the construction and equipping of interventional radiology and CT scan facilities which will include the addition of a second treatment room doubling the capacity of the International

Radiology Suite and 2,850 square feet of new space with waiting and recovery rooms, physician offices, examination rooms, vascular ultrasound and storage areas and space for the relocation of the CT scan facility and the housing of a third high speed CT scanner and (B) acquiring certain capital equipment for use in or in connection with Inova Fair Oaks Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Fair Oaks Hospital Project"); (iv) to finance or refinance for Inova Health Care Services all or a portion of the cost of acquiring certain capital equipment for use in or in connection with Inova Mount Vernon Hospital and renovating any space necessary or incidental to the installation of such equipment (the "Inova Mount Vernon Hospital Project"); (v) to finance or refinance for Inova Health Care Services and/or its affiliates all or a portion of the cost of routine improvements to, and the acquisition of computer equipment, office equipment, network and telecommunications upgrades, clinical and financial systems and various infrastructure and application development systems for, the Computer System Facility (the "Information Technology Project" and, together with the Inova Alexandria Hospital Project, the Inova Fairfax Hospital Project, the Inova Fair Oaks Hospital Project and the Inova Mount Vernon Hospital Project, the "2005 Project"); (vi) to refinance for Loudoun Hospital Center the cost of certain assets financed or refinanced with (A) the \$67,785,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 1995 and (B) the \$18,365,000 Industrial Development Authority of Loudoun County, Virginia Hospital Revenue Bonds (Loudoun Hospital Center), Series 2002A; (vii) to refund all or a portion of the \$104,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 1996A; (viii) to refund all or a portion of the \$200,000,000 Industrial Development Authority of Fairfax County, Virginia Health Care Revenue Bonds (Inova Health System Project), Series 2001; (ix) to finance or refinance a portion of the interest accruing on the Bonds during the construction period, and a reasonable period thereafter, of the 2005 Project; (x) to fund a debt service reserve fund for the Bonds, if in the opinion of Inova Health Care Services at the time of the sale of the Bonds, a debt service reserve fund is warranted; and (xi) to pay certain expenses incurred in connection with the authorization, issuance and sale of the Bonds;

WHEREAS, pursuant to Section 15.2-4905 of the Virginia Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act"), and Section 147 of the Internal Revenue Code of 1986, as amended ("Code"), the Fairfax Authority may issue its bonds with respect to facilities outside of Fairfax County, Virginia if the governing body of the locality where the facilities are or will be located concurs with the inducement resolution for such bonds adopted by the Fairfax Authority and approves such issuance;

WHEREAS, the Alexandria Authority has been asked to concur in the resolution adopted by the Fairfax Authority on March 11, 2005 ("Inducement Resolution"), a true and correct copy of which has been filed with the Alexandria Authority, evidencing the Fairfax Authority's preliminary intention to issue its revenue bonds to assist in the Plan of Financing and to approve such issuance;

WHEREAS, a public hearing has been held by the Alexandria Authority regarding Inova's request and the Alexandria Authority desires to recommend (i) approval of the Plan of Financing and the proposed bond issue to the City Council, and (ii) concurrence of the City Council in the adoption of the Inducement Resolution with respect to those facilities located or to

be located in the City of Alexandria, Virginia ("City of Alexandria") and approval of such issuance, in accordance with the requirements of Section 147(f) of the Code and Section 15.2-4906 of the Act;

WHEREAS, (a) no member of the Board of Directors of the Alexandria Authority is an officer or employee of the City of Alexandria (b) each member has, before entering upon his duties during his or her present term of office, taken and subscribed to the oath prescribed by Section 49-1 of the Code of Virginia of 1950, as amended and (c) at the time of their appointments and at all times thereafter, including the date hereof, all of the members of the Board of Directors of the Alexandria Authority have satisfied the residency requirements of the Act; and

WHEREAS, no member of the Board of Directors of the Alexandria Authority has any personal interest or business interest in Inova, the subject bonds, or any of the transactions contemplated therein or has otherwise engaged in conduct prohibited under the Conflict of Interests Act, Chapter 40.1, Title 2.1 of the Code of Virginia of 1950, as amended in connection with this resolution or any other official action of the Alexandria Authority in connection therewith.

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA:

1. The Alexandria Authority concurs in the Inducement Resolution and recommends approval and concurrence thereof, and in the issuance of the subject bonds by the Fairfax Authority, by the City Council with respect to the facilities located or to be located in the City of Alexandria.
2. All fees charged and costs and expenses incurred by the Alexandria Authority in connection with the Plan of Financing, including but not limited to the fees and expenses of counsel to the Alexandria Authority, shall be paid by Inova. If for any reason the subject bonds are not issued, it is understood that all such fees and expenses shall be paid by Inova and that the Alexandria Authority shall have no responsibility therefor.
3. The Alexandria Authority hereby directs the Secretary of the Alexandria Authority to deliver to the City Council a copy of this resolution, which constitutes the recommendation of the Alexandria Authority that the City Council concur in the Inducement Resolution with respect to that portion of the facilities or to be located in the City of Alexandria and approve the issuance of the subject bonds by the Fairfax Authority.
4. This resolution shall take effect immediately upon its adoption.

Adopted this 29th day of March, 2005.

Ronald F. Simpson, Sr.
Vice Chairman Secretary, Industrial Development Authority of the
City of Alexandria

[SEAL]

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**FISCAL IMPACT STATEMENT
FOR PROPOSED BOND FINANCING***

Date: March 29, 2005

To the City Council of
the City of Alexandria, Virginia

Applicants: Inova Alexandria Hospital and Affiliates
Facilities: Health Care Facilities in Alexandria, Fairfax and Loudoun

	Fairfax County	Loudoun County	City of Alexandria	Total All Jurisdictions \$590,000,000
1. Maximum amount of financing sought.				
2. Estimated taxable value of the facility's real property to be constructed in the locality.	0	0	0	0
3. Estimated real property tax per year using present tax rates.	0	0	0	0
4. Estimated personal property tax per year using present tax rates.	0	0	0	0
5. Estimated merchants' capital tax per year using present tax rates.	0	0	0	0
6. (a) Estimated dollar value per year of goods that will be purchased from Virginia companies within the locality.	\$4,245,000	0	\$3,257,000	\$7,502,000
(b) Estimated dollar value per year of goods that will be purchased from non-Virginia companies within the locality.	\$2,830,000	0	\$2,172,000	\$5,002,000
(c) Estimated dollar value per year of services that will be purchased from Virginia companies within the locality.	\$1,492,000	0	\$111,000	\$1,603,000
(d) Estimated dollar value per year of services that will be purchased from non-Virginia companies within the locality.	\$995,000	0	\$74,000	\$1,069,000
7. Estimated number of regular employees on year round basis.	82	0	89	171
8. Average annual salary per employee.	\$60,694	0	\$60,694	\$60,694

Ronald P. Simpson, Sr.
Vice-Chairman, Industrial Development Authority
of the City of Alexandria

* Information presented represents the incremental fiscal impact of the new money projects only and does not include any projects being refinanced, or the impact of any other existing Inova or Loudoun facilities.