MEMORANDUM

DATE: MARCH 5, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: ORDINANCE AUTHORIZING AND EMPOWERING THE ISSUANCE, SALE AND DELIVERY OF GENERAL OBLIGATION BONDS TO FINANCE VARIOUS CAPITAL PROJECTS

ISSUES: Bond financing of capital projects of the City, Schools and the Washington Metropolitan Area Transit Authority

RECOMMENDATION: That the City Council pass on first reading on March 10, and schedule for public hearing, second reading and final passage on March 24, an ordinance (Attachment I) authorizing and empowering the issuance, sale, and delivery of up to $118.3 million in general obligation bonds to finance various capital projects. Due to advertising requirements the ordinance cannot be heard at the March 14 public hearing meeting.

BACKGROUND: A key element of the City's capital improvement program is the financing of a major portion of the City's capital improvement program through the issuance of tax exempt general obligation bonds which bear the full faith and credit pledge of the City. The proposed ordinance authorizes the issuance of up to $118.3 million in general obligation bonds including $93.9 million for City and School purposes, as well as up to $24.4 million to finance a portion of the City's prior Metro Matters capital project obligations to the Washington Metropolitan Area Transit Authority (WMATA). This issuance for City and School purposes would include: $38.4 million of bond authorization planned as part of the FY 2009 element of the Council approved FY 2009 to FY 2014 Capital Improvement Program (CIP), as well as bond authorization contemplated in the FY 2010 to FY 2015 proposed CIP needed to finance the proposed new Police Headquarters facility construction contract. Other costs related to the Police Headquarters facility project, but not a part of the construction contract will be financed by other means.

It is planned that only $28.5 million of this Police Headquarters $55.5 million amount would be issued in FY 2009, with the $27.0 million construction contract balance likely to be issued in late FY 2010. This request for a higher bond authorization for the new Police Headquarters than is planned to be issued in the next few months is necessary to comply with the City Charter provision 5.15 related to the execution of construction contracts which are contemplated to be bond financed.
It is expected that these bonds will be rated Aaa by Moody's Investors Service and AAA by Standard and Poor's.

In order to be able to execute a construction contract for the Police Headquarters facility before the end of March, and in order to meet the State Code advertising requirements for a local government bond authorization, a first reading on March 10 is recommended with the second reading, public hearing and proposed final passage on March 24.

The total requested bond authorization of $118.3 million is summarized in the following chart:

<table>
<thead>
<tr>
<th>Proposed Bond Issuance</th>
<th>Bond Authorization</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City and Schools</td>
<td>$38.4</td>
<td>$38.4</td>
</tr>
<tr>
<td>Police HQ</td>
<td>28.5</td>
<td>27.0</td>
</tr>
<tr>
<td>Metro Matters</td>
<td>24.4</td>
<td>24.4</td>
</tr>
</tbody>
</table>

The allocation of the proposed bond proceeds is consistent with the approved projects in the approved FY 2009 to FY 2015 CIP, as well as the Police Headquarters project in the FY 2010 to FY 2016 CIP. The bonds are proposed to be allocated in the following manner:

**General Project Description**

**Estimated Maximum Cost**

**Schools**
- Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under “Schools”).

$10,000,000

**City Parks and Buildings**
- Construction, renovation and improvement of existing and new City buildings and park facilities and acquisition of necessary land and equipment (includes projects contained in the capital improvement program under “Recreation and Parks” and “Public Buildings”).

69,000,000

**Transportation and Metro Improvements**
- Maintenance and upgrade of the City’s transportation systems (includes projects contained in the capital improvement program under “Public Transportation and Traffic Control,” and payment of

34,400,000
the City’s share of certain Washington Metropolitan Area Transit Authority (i.e. “METRO”) capital improvements).

**Information Technology**

Maintenance and upgrade of the City’s information technology infrastructure and hardware, networks, and software (includes projects contained in the capital improvement program under “Information Technology Plan”).

**Infrastructure**

Construction, renovation and improvement of City streets, bridges, storm and sanitary sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under “Community Development,” “Sewers,” and “Streets, Bridges, and Pedestrian Improvements”).

**Affordable Housing**

Acquisition, construction, remodeling and repairing of affordable housing and acquisition of necessary land and equipment.

Total: $118,300,000

**WMATA’s Metro Matters Program:** In FY 2004, the City, along with the other Virginia local governments, the District of Columbia and the State of Maryland, signed a $3 billion six-year capital improvement program agreement titled “Metro Matters.” This agreement covered the six-year period from FY 2005 to FY 2010 and also had a longer term debt service element planned to finance about $488 million of the capital projects which were planned to be undertaken in the FY 2005 to FY 2010 time period, but financed beyond that timeframe. WMATA issued short-term commercial paper to finance these $488 million in projects, and is now planning (Attachment II) to repay that short-term commercial paper borrowing with the issuance in June of up to $550 million serial bonds which would be repaid over a 25-year period. Because of the need for a debt service reserve and related issuance costs, the $488 million capital cost requires approximately a $550 million total bond issuance.

At the City’s initiative, during the Metro Matters agreement negotiations in 2004, the final Metro Matters agreement included a provision that when WMATA issued the planned Metro Matters long-term debt, participating governments could individually decide to “opt out” of that debt issuance and to pay WMATA its local share of that WMATA planned issuance. This provision

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1 While no Affordable Housing bond issuance is planned at this time, listing this category as a permitted use establishes flexibility if the need for affordable housing bonds (funded from the dedicated 1¢ of real estate taxes) arises.
in the agreement recognized that the many of the WMATA member jurisdictions had credit ratings much higher than WMATA and could therefore issue tax exempt bonds at lower interest costs. Any jurisdiction that chose to opt out would then have its debt service obligation to WMATA for this Metro Matters bond issuance eliminated over the next 25 years.

The City’s share of the planned $550 million WMATA borrowing would be $24.4 million in principal and up to $21.2 million in future interest costs, but when the planned debt service reserve is backed out of the $550 million, the City’s share would likely be less. For the City that could mean the $24.4 million could drop to about $22 million. In addition, if Northern Virginia jurisdictions receive credit in the Metro Matters calculations for $40 million in Metrorail car financing that the Commonwealth of Virginia is authorized to provide to WMATA, then the City’s opt-out obligation could drop to as low as $16 million. The Northern Virginia Transportation Commission (NVTC) staff is currently negotiating this issue with WMATA staff.

Based upon the City’s AAA/Aaa bond ratings and WMATA’s expected single A bond ratings, the interest savings to the City, if the City exercised the opt-out provision, would likely be between $150,000 and $230,000 annually, or a total of $3.7 million to $5.7 million in total savings over the life of the 25-year life of the bonds that WMATA is planning on issuing in June. Attachment III compares the WMATA debt service costs with City debt service costs and shows the maximum potential savings for the maximum $24.4 million proposed borrowing.

The issuance of debt directly by the City instead of by WMATA will add slightly to the City’s overall debt ratios, but the amount added will not adversely impact the City’s bond ratings nor adversely impact the City’s overall position of maintaining low to moderate debt burdens. Some recognition of this use of the opt-out provision could be incorporated into the next revision of the debt policy guidelines, so that this additional debt does not result in other capital projects not able to be financed in the future.

At this time at least two other jurisdictions (Fairfax County and the State of Maryland) may decide to use the opt-out provision. It is expected that sometime during the next six months, a new six year FY 2011 to FY 2016 Metro Matters II agreement will be proposed and negotiated.

**Police Headquarters Financing:** The proposed bond authorization includes sufficient multi-year authorization so the City can execute a $55.5 million Guaranteed Maximum Price (GMP) with Whiting-Turner to construct the new Police headquarters (see docket item #15 for details). Section 5.15 of the City Charter requires that before any construction contract is signed that the authorizing bond ordinance needs to have been approved. Funding elements of the $55.5 million include $28.5 million in bonds proposed to be issued in late FY 2009, and $27.0 million proposed to be issued late in FY 2010 or early FY 2011. The FY 2010 and FY 2011 elements of the proposed FY 2010 to FY 2015 CIP contemplate this bond funding. In addition, the debt service budgeted in the FY 2010 General Fund proposed operating budget incorporates the planned issuance of this $28.5 million in late FY 2009. This $28.5 million will approximate the estimated Police Headquarters construction payments cash flow for about the next twelve months.
Proposed Structure of the Bonds: As is the City’s practice, the contemplated $93.9 million bond issue for FY 2009 will be issued as full faith and credit general obligation bonds. They will be serial bonds with an aggressive repayment schedule of planned annual fixed repayment amounts over the life of the bonds, include a 10-year call provision, and they will be competitively bid on the Internet. It is expected that the bonds will be rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s. One feature that will be different with this issuance is that while the City and School projects portion of the bonds will be repaid over 20 years, the Metro Matters financing will be amortized over 25 years to match the WMATA planned amortization and opt-out credit schedule. The City’s independent financial adviser Davenport, LLC is assisting the City with this bond sale.

While the American Recovery and Reinvestment Act (ARRA) of 2009 recently enacted into law contained new municipal bond provisions, at this time it appears that these new municipal bond provisions are not likely to be applicable to this proposed City bond sale. For example, one provision entitled “Build America Bonds” allows localities to issue taxable bonds and then receive a direct 35% interest tax credit payment from the federal government. The City’s financial adviser looked at this taxable bond option and has concluded that the TIC spread and resulting net interest costs between an AAA tax-exempt bond issuance and an AAA taxable bond issuance is greater than the 35% credit that the federal government would provide. Therefore, the federal Build America Bonds program is not contemplated to be utilized for this proposed City bond sale. However, the proposed bond ordinance (Attachment I) does not preclude the issuance of such bonds if market conditions change and the spread between taxable and tax exempt AAA bonds narrows.

The ARRA also expanded Qualified Zone Academy Bonds, and created a new Qualified School Construction Bond category. As the details of these, and other new bond issuance options become clear, the City can adjust the proposed bond sale accordingly if it appears that one of these alternative bond financing mechanisms would be more cost effective than a plain vanilla City AAA/Aaa rated tax-exempt general obligation bond offering.

The bonds will be issued as tax exempt fixed-rate bonds. Given the current market demand for pure AAA/Aaa rate municipal bonds, and given favorable market conditions, the City should see the True Interest Cost (TIC) for the City and School bonds in the 3.6% to 3.8% TIC range. This compares to a 3.99% TIC for the July 2008 City bond issue, and is lower than the running five year average for AAA tax exempt bond sales. Given the credit concerns in the market place, the collapse of major bond insurers, and corporate bond rating declines (only six corporations remain rated AAA by Standards & Poors), demand for high quality AAA/Aaa tax exempt bonds like the City’s is very positive.

The Metro Matters portion of the City’s bond issuance, which will also be rated AAA/Aaa, because of its longer 25-year life and higher interest rates on the long end of the yield curve will likely have a TIC in the 4.1% to 4.3% range. This compares to WMATA’s A rated bond projected cost of borrowing of 5.0% to 5.5%.
**FISCAL IMPACT:** The fiscal impact of the bond issuance for City and School purposes will be $3.2 million in estimated interest payments in FY 2010, as well as a planned $0.8 million principal repayment. Principal repayments will increase to $1.8 million in FY 2011, to $2.8 million in FY 2012 and then leveling off to $3.6 million from FY 2013 to FY 2029. The bond issuance for the Metro Matters purposes will have a level debt service structure to match WMATA’s debt service schedule and therefore have a declining principle structure over the 25-year life of the bonds.

The fiscal impact of the proposed Metro Matters bond issuance by the City will be to reduce annual debt service payments by some $0.1 million to $0.2 million annually for 25 years. For FY 2010, it will reduce the CIP budget for the City’s Metro capital payment by some $1.7 million to $1.8 million, but increase the City’s General Fund debt service by $1.6 million. This $1.6 million in added General Fund Debt service for FY 2010 will be funded by the $0.7 million add-on decal fee now budgeted in the CIP, as well as $0.9 million in budgeted debt service funds which will not now be needed because of lower interest rates, as well as issuing less new City/School bonds than previously contemplated. In addition, the FY 2010 bond issuance budgeted in the CIP can be reduced by $0.9 million.

**ATTACHMENTS:**
Attachment I. Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds
Attachment II. WMATA Board Action Report: Increase Line of Credit & Issue Metro Matters Bonds
Attachment III. Debt service savings comparison of WMATA debt service with City debt service

**STAFF:**
Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Laura Triggs, Director of Finance
Michael Stewart, Budget Analyst, Office of Management and Budget
INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE OF THE CITY OF ALEXANDRIA, VIRGINIA
AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION CAPITAL
IMPROVEMENT BONDS IN THE ESTIMATED MAXIMUM AMOUNT OF
$118,300,000; AND PROVIDING FOR REIMBURSEMENT TO THE
CITY OF ALEXANDRIA FROM BOND PROCEEDS

Summary

The proposed ordinance authorizes the issuance of general obligation capital
improvement bonds for various public improvements in the estimated maximum amount
of $118,300,000.

Sponsor

Staff

Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Laura Triggs, Director of Finance
Christopher P. Spera, Acting City Attorney

Authority

§7.01, Alexandria City Charter

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None
At a regular meeting of the City Council of the City of Alexandria, Virginia, held on the 10th day of March, 2009, the following City Council members were recorded as present:

PRESENT:


On motion by ________________, seconded by ________________, the attached Ordinance was approved upon first reading by a majority of the members of the City Council by a roll call vote, the votes being recorded as follows:

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>VOTE</th>
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AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF ALEXANDRIA, VIRGINIA

AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION CAPITAL
IMPROVEMENT BONDS IN THE ESTIMATED MAXIMUM AMOUNT OF
$118,300,000; AND PROVIDING FOR REIMBURSEMENT TO THE
CITY OF ALEXANDRIA FROM BOND PROCEEDS

WHEREAS, the City Council of the City of Alexandria, Virginia ("City") has determined
that it is advisable to issue up to $118,300,000 general obligation bonds of the City to finance the
cost, in whole or in part, of various capital improvements as described below (the "Projects").

THE CITY COUNCIL OF THE CITY OF ALEXANDRIA HEREBY ORDAINS:

1. Authorization of Bonds and Use of Proceeds. The City Council hereby
determines that it is advisable to contract a debt and to issue and sell general obligation bonds in
the aggregate maximum principal amount of $118,300,000 (the "Bonds"). The issuance and sale
of the Bonds are hereby authorized. The proceeds from the issuance and sale of the Bonds shall
be used to pay all or a portion of the costs of the Projects as described below and the Director of
Finance is authorized and directed to determine the portion of the cost of each Project to be
financed with Bond proceeds and to reallocate Bond proceeds among the Projects if necessary or
desirable.

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| City Parks and Buildings    | $69,900,000            |
| Construction, renovation and improvement of existing and new City buildings and park facilities and acquisition of necessary land and equipment (includes projects contained in the capital improvement program under “Recreation and Parks” and “Public Buildings”). |

| Transportation and Metro Improvements | $34,400,000 |
| Maintenance and upgrade of the City’s transportation systems (includes projects contained in the capital improvement program under “Public Transportation and Traffic Control,” and payment of the City’s share of certain Washington Metropolitan Area Transit Authority (i.e. “METRO”) capital improvements). |
Information Technology

Maintenance and upgrade of the City’s information technology infrastructure and hardware, networks, and software (includes projects contained in the capital improvement program under “Information Technology Plan”).

$2,000,000

Infrastructure

Construction, renovation and improvement of City streets, bridges, storm and sanitary sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under “Community Development,” “Sewers,” and “Streets, Bridges and Pedestrian Improvements”).

$2,000,000

Affordable Housing

Acquisition, construction, remodeling and repairing of affordable housing and acquisition of necessary land and equipment.

$0

Total:

$118,300,000

2. **Pledge of Full Faith and Credit.** The full faith and credit of the City are hereby irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The City Council shall levy an annual ad valorem tax upon all property in the City, subject to local taxation, sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due for payment unless other funds are lawfully available and appropriated for the timely payment thereof.

3. **Details and Sale of Bonds.** The Bonds shall be issued upon the terms established pursuant to this Ordinance and upon such other terms as may be determined in the manner set forth in this Ordinance. The Bonds shall be issued in one or more taxable or tax-exempt series, 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 mature on such dates and in such amounts and shall be issued in such principal amount as the City Manager and the Director of Finance, or either of them, may approve, provided that the final maturity of any Bond is not more than approximately 25 years from its date and the aggregate principal amount of the Bonds is not more than $118,300,000. The City Manager and the Director of Finance, or either of them, is authorized and directed, at his or her option, to accept a bid or bids 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 or bidders at such price as may be set forth in the bid or bids so accepted, or, if he or she deems it to be in the City’s financial interest, to forego such competitive bidding and negotiate the sale of the Bonds to one or more initial purchasers; provided that the true interest cost of the Bonds shall not exceed 6.5% 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 determine to be in the best interest of the City. The City Council may provide for additional or other terms of the Bonds by subsequent resolution.

4. **Form of Bonds.** The Bonds shall be in substantially the form attached to this Ordinance as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance. There may be endorsed on the Bonds such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

5. **Book-Entry-Only-Form.** The Bonds may be issued in book-entry-only form. The Bonds shall be issued in fully-registered form and may be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) as registered owner of the Bonds, and immobilized in the custody of DTC. One fully-registered Bond in typewritten or printed form for the principal amount of each maturity of the Bonds may be registered to Cede & Co. In such event, beneficial owners of the Bonds shall not receive physical delivery of the Bonds and principal, premium, if any, and interest payments on the Bonds shall be made to DTC or its nominee as registered owner of the Bonds on the applicable payment date.

Transfer of ownership interest in the Bonds may be made by DTC and its participants (the “Participants”), acting as nominees of the beneficial owners of the Bonds in accordance with rules specified by DTC and its Participants. In such event, the City shall notify DTC of any notice required to be given pursuant to this Ordinance or the Bonds not less than fifteen (15) calendar days prior to the date upon which such notice is required to be given and the City shall also comply with the agreements set forth in the City’s Letter of Representations to DTC.

In the event the Bonds are issued in book-entry-only form and registered in the name of DTC's nominee as permitted above, replacement Bonds (the “Replacement Bonds”) may be issued directly to beneficial owners of the Bonds rather than to DTC or its nominee but only in the event that:

(i) DTC determines not to continue to act as securities depository for the Bonds; or

(ii) The City has advised DTC of its determination not to use DTC as a securities depository; or

(iii) The City has determined that it is in the best interest of the beneficial owners of the Bonds or the City not to continue the book-entry system of transfer.

Upon occurrence of the event described in (i) or (ii) above, the City shall attempt to locate another qualified securities depository. If the City fails to locate another qualified securities depository to replace DTC, the City Council shall execute and deliver Replacement Bonds substantially in the form set forth in Exhibit A to the Ordinance to the Participants. In the event the City Council, in its discretion, makes the determination noted in (iii) above and has made provisions to notify the beneficial owners of the Bonds by mailing an appropriate notice to DTC, the appropriate officers and agents of the City shall execute and deliver Replacement Bonds substantially in the form set forth in Exhibit A to this Ordinance to any Participants requesting such Replacement Bonds. Principal of and interest on the Replacement Bonds shall be payable as provided in this Ordinance and in the Bonds and Replacement Bonds will be
transferable in accordance with the provisions of paragraphs 9 and 10 of this Ordinance and the Bonds.

6. **Appointment of Bond Registrar and Paying Agent.** The City Manager and the Director of Finance, or either of them, are authorized and directed to appoint a Bond Registrar and Paying Agent for the Bonds and as long as the Bonds are in book-entry form, either of such officers may serve as Paying Agent.

The City Manager and the Director of Finance, or either of them, may appoint a subsequent registrar and/or one or more paying agents for the Bonds upon giving written notice to the owners of the Bonds specifying the name and location of the principal office of any such registrar or paying agent.

7. **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 by 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.

8. **CUSIP Numbers.** The Bonds may have CUSIP identification numbers printed thereon. No such number shall constitute a part of the contract evidenced by the Bond on which it is imprinted and no liability shall attach to the City, or any of its officers or agents by reason of such numbers or any use made of such numbers, including any use by the City and any officer or agent of the City, by reason of any inaccuracy, error or omission with respect to such numbers.

9. **Registration, Transfer and Exchange.** Upon surrender for transfer or exchange of any Bond at the principal office of the Bond Registrar, the City shall execute and deliver and the Bond Registrar shall authenticate in the name of the transferee or transferees a new Bond or Bonds of any authorized denomination in an aggregate principal amount equal to the Bond surrendered and of the same form and maturity and bearing interest at the same rate as the Bond surrendered, subject in each case to such reasonable regulations as the City and the Bond Registrar may prescribe. All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the City and the Bond Registrar, duly executed by the registered owner or by his or her duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, shall be secured by this Ordinance and entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

10. **Charges for Exchange or Transfer.** No charge shall be made for any exchange or transfer of Bonds, but the City may require payment by the registered owner of any Bond of a sum sufficient to cover any tax or other governmental charge which may be imposed with respect to the transfer or exchange of such Bond.

11. **Non-Arbitrage Certificate and Tax Covenants.** 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 authorized and directed to execute a Non-Arbitrage Certificate and Tax
Covenants setting forth the expected use and investment of the proceeds of the Bonds and containing such covenants as may be necessary in order to comply with the provisions of the Internal Revenue Code of 1986, as amended ("Code"), including the provisions of Section 148 of the Code and applicable regulations relating to "arbitrage bonds." The City Council covenants on behalf of the City that the proceeds from the issuance and sale of the Bonds will be invested and expended as set forth in the City's Non-Arbitrage Certificate and Tax Covenants, to be delivered simultaneously with the issuance and delivery of the Bonds and that the City shall comply with the other covenants and representations contained therein.

12. RESERVED.

13. 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.

14. 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 including the execution and delivery of such bond purchase agreement as may be required in connection with any negotiated sale of the Bonds and the execution and delivery of any such other documents, agreements and certificates (including applications for tax credits) as they may deem necessary or desirable and all actions taken by such officers and agents in connection with the issuance and sale of the Bonds are ratified and confirmed.

15. Reimbursement. The City Council adopts this declaration of official intent under Treasury Regulations Section 1.150-2. The City Council reasonably expects to reimburse advances made or to be made by the City to pay the costs of the Projects from the proceeds of its debt. The maximum amount of debt expected to be issued for the Projects is set forth in paragraph 1 above. The City hereby authorizes the Director of Finance, on behalf of the City, to specifically declare the City's official intent to reimburse portions of the cost of the Projects with Bond proceeds.

16. Effective Date: Applicable Law. In accordance with Section 15.2-2601 of the Code of Virginia of 1950, as amended, the City Council elects to issue the Bonds pursuant to the provisions of the Public Finance Act of 1991. This Ordinance shall take effect at the time of its enactment.

WILLIAM D. EUILLE
Mayor, City of Alexandria, Virginia

Final Passage: March 24, 2009
FORM OF BOND

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA

No. R-

CITY OF ALEXANDRIA
GENERAL OBLIGATION CAPITAL IMPROVEMENT BOND,
SERIES ______

MATURITY DATE INTEREST RATE CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

CITY OF ALEXANDRIA, VIRGINIA (the "City"). for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or legal representative, the principal amount stated above on the maturity date set forth above and to pay interest on the principal amount of this Bond at the rate specified above per annum, payable semiannually on __________ 1 and __________ 1, beginning on __________ 1, ____. This Bond shall bear interest (a) from __________ ____, ____, if this Bond is authenticated before __________ 1, ____ or (b) otherwise from the __________ 1 or __________ 1 that is, or immediately precedes, the date on which this Bond is authenticated; provided that, if at the time of authentication of this Bond, interest on this Bond is in default, this Bond shall bear interest from the date to which interest has been paid. Both principal of and interest on this Bond are payable in lawful money of the United States of America. The principal of this Bond is payable upon presentation and surrender hereof at the office of __________, as Bond Registrar and Paying Agent ("Bond Registrar"). Interest on this Bond is payable by check or draft mailed to the registered owner hereof at its address as it appears on the registration books maintained by the Bond Registrar without presentation of this Bond (or by wire if requested by any owner of at least $1,000,000 in principal amount of the Bonds). All interest payments shall be made to the registered owner as it appears on the registration books kept by the Bond Registrar on the fifteenth day of the month preceding each interest payment date.

This Bond has been duly authorized by the City Council and is issued for the purpose of providing funds to pay the costs of various capital improvements for the City. The full faith and credit of the City are irrevocably pledged for the payment of the principal of and premium, if any, and interest on this Bond in accordance with its terms.

This Bond is one of a series of $ _________ General Obligation Capital Improvement Bonds, Series _______ of the City, (the "Bonds") of like date and tenor, except as to number, denomination, rate of interest and maturity, issued under the authority of and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of
Virginia of 1950, as amended and an ordinance adopted by the City Council on __________ 2009 (the “Ordinance”).

Bonds maturing on or before ________ are not subject to redemption before maturity. Bonds at the time outstanding which are stated to mature on or after ________ may be redeemed before their maturities on or after ________, at the option of the City in whole or in part (in installments of $5,000) at any time or from time to time during the following redemption periods upon payment of the following redemption prices (expressed as a percentage of the principal amount to be redeemed) together with the interest accrued thereon to the date fixed for redemption:

<table>
<thead>
<tr>
<th>Redemption Period</th>
<th>Redemption Price</th>
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<tbody>
<tr>
<td>(both dates inclusive)</td>
<td></td>
</tr>
<tr>
<td>________, through ________</td>
<td>%</td>
</tr>
<tr>
<td>________, through ________</td>
<td>%</td>
</tr>
<tr>
<td>________, and thereafter</td>
<td>%</td>
</tr>
</tbody>
</table>

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the Director of Finance of the City in such officer's discretion. If less than all of the Bonds of any maturity are called for redemption, the Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by the Bond Registrar, each portion of $5,000 principal amount being counted as one Bond for such purpose.

If any of the Bonds or portions thereof are called for redemption, the Bond Registrar shall send notice of the call for redemption identifying the Bonds by serial or CUSIP numbers, and in the case of partial redemption, identifying the principal amount to be redeemed, and identifying the redemption date and price and the place where Bonds are to be surrendered for payment, by first class mail not less than 30 nor more than 60 days before the redemption date to the registered owner of each Bond to be redeemed at such owner's address as it appears on the registration books maintained by the Bond Registrar, but failure to mail such notice shall not affect the validity of the proceedings for redemption. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Ordinance and shall not be deemed to be outstanding. If a portion of this Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon the surrender of this Bond.

The Bonds are issuable as fully registered bonds in denominations of $5,000 and integral multiples thereof. Any Bond may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations at the principal office of the Bond Registrar.

This Bond may be transferred only by an assignment duly executed by the registered owner hereof or such owner's attorney or legal representative in a form satisfactory to the Bond Registrar. Such transfer shall be made in the registration books kept by the Bond Registrar upon presentation and surrender hereof and the City shall execute, and the Bond Registrar shall
authenticate and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in names as requested by the then registered owner hereof or such owner's attorney or legal representative. Any such exchange shall be at the expense of the City, except that the Bond Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The City may designate a successor Bond Registrar and/or Paying Agent, provided that written notice specifying the name and location of the principal office of any such successor shall be given to the registered owner of the Bonds. Upon registration of transfer of this Bond, the Bond Registrar shall furnish written notice to the transferee of the name and location of the principal office of the Bond Registrar and/or the Paying Agent.

The Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the 15th day of the month preceding each interest payment date.

This Bond shall not be valid or obligatory for any purpose unless and until authenticated at the foot hereof by the Bond Registrar.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Bond have happened, exist or been performed in due time, form and manner as so required and that the indebtedness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.
IN WITNESS WHEREOF, the City Council of the City of Alexandria, Virginia, has caused this Bond to be signed by the facsimile signature of its Mayor, a facsimile of its seal to be affixed and attested by the facsimile signature of its Clerk and this Bond to be dated ________, _____.

CITY OF ALEXANDRIA, VIRGINIA

By ________________________________
Mayor, City of Alexandria, Virginia

[SEAL]

ATTEST:

______________________________
Clerk, City Council,
City of Alexandria, Virginia
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

________________________________________________________

________________________________________________________

________________________________________________________

________________________________________________________

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: ________________

the within Bond and does hereby irrevocably constitute and appoint

________________________________________________________, attorney, to transfer said Bond on the books kept for registration of said Bond, with full power of substitution in the premises.

Dated ____________________

Registered Owner

Signature Guaranteed: ____________________

(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Bond in every particular, without alteration or change.)
Increase Line of Credit & Issue Metro Matters Bond

PURPOSE:

Request approval to extend and increase the expiring line of credit and issue long-term bonds pursuant to the MetroMatters Agreement.

DESCRIPTION:

Metro currently has a line of credit for $100 million that will expire in May 2009 and a Commercial Paper Facility for $330 million that will expire in September 2010.

Therefore, two financial transactions are requested:

1) To extend the line of credit for an additional year and to increase up to $250 million in order to support the capital and operating programs, and

2) To issue long-term bonds of up to $550 million (composed of $488 million in principal, any required debt service reserve and the costs of issuance), at an indicative average interest rate of 5.5% and for a term not to exceed 25 years to replace the short-term Commercial Paper Facility and fund future capital expenses.

FUNDING IMPACT:

Program: MetroMatters Program Management and Debt Service
Project: MetroMatters Credit Facilities and Debt Service
Budget: Costs of Line of Credit fees and interest are within the existing FY09 and FY10 estimated budget.

This Action: Commensurate with needs within the approved total budget.

Operating Budget Impact: No impact unless draw on line of credit to fund operating expenses.

Bond issuance costs will be paid from the bond proceeds. Estimated financial impact for each jurisdiction is shown on Schedule A - Opt In or Out Analysis.
RECOMMENDATION:

- Approval to negotiate and execute agreements to extend the expiring $100 million Line of Credit Facility for one year from its current expiration date and increase the size of the Line of Credit to $250 million in order to support the capital and operating programs.
- Approval to issue Bonds in an amount up to $550 million principal, at an average indicative interest rate of 5.5% and for a term not to exceed 25 years, subject to the jurisdictions opting out with a commensurate reduction in the principal amount. Bond issuance activities include hiring of underwriters, financial advisor, and other related services, which are to be funded with bond proceeds.
SUBJECT: APPROVAL TO NEGOTIATE BONDS IN AN AMOUNT NOT TO EXCEED $550 MILLION

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, In 2004, the Washington Metropolitan Area Transit Authority (Metro) and its sponsoring jurisdictions entered into a multiyear capital funding and construction agreement known as the Metro Matters Funding Agreement; and

WHEREAS, The Metro Matters Funding Agreement permitted Metro to issue bonds necessary for the long-term financing of projects under the Agreement subject to the jurisdictions' rights to prepay their share of the necessary bonds; and

WHEREAS, Staff has determined that there is a need to issue such long-term bonds to fund various projects covered by the Metro Matters Funding Agreement; now, therefore, be it

RESOLVED, That the Board of Directors authorizes the General Manager, the Chief Financial Officer and the Treasurer to negotiate long-term bonds with the following terms: duration to be no more than 25 years; an aggregate amount not to exceed $550 million composed of $488 million in principal, any required debt service reserve, and the costs of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, and legal fees); and an indicative average interest rate not to exceed 5.5% and to obtain the underwriting, Trustee, printing, and other services necessary to issue the bonds; and be it further

RESOLVED, That Staff shall give the funding jurisdictions the option to prepay their share of the bonds before the final size of the bond issue is established in accordance with the terms of the Metro Matters Funding Agreement; and be it further

RESOLVED, That Staff shall return to the Board of Directors for its final approval of the terms of the bond issue before such bonds may be issued; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

[Signature]
Carol B. O'Keeffe
General Counsel
SUBJECT: APPROVAL TO NEGOTIATE AND EXECUTE ONE OR MORE LINES OF CREDIT FOR AN AMOUNT NOT TO EXCEED $250 MILLION

PROPOSED RESOLUTION OF THE BOARD OF DIRECTORS OF THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, In 2004, the Washington Metropolitan Area Transit Authority (Metro) and its sponsoring jurisdictions entered into a multiyear capital funding and construction agreement known as the Metro Matters Funding Agreement; and

WHEREAS, The Metro Matters Funding Agreement permitted Metro to enter into short-term financing vehicles to provide cash flows to smooth out differences between capital construction cash requirements and jurisdictional capital contributions; and

WHEREAS, Metro previously established both a Commercial Paper facility and a short-term loan with Wachovia Bank to meet those cash flow requirements; and

WHEREAS, There is a need for further short-term financing pending the issuance of long-term bonds and to smooth out any differences between Metro's cash requirements and jurisdictional contributions; and

WHEREAS, There exists the possibility of temporary shortfalls in the Operating budget which can be ameliorated by the short-term use of the Lines of Credit; and

WHEREAS, Staff has explored the renewal of the Wachovia short-term loan and the development of similar loans with other financial institutions to meet Metro's short-term loan requirements; and

WHEREAS, Wachovia Bank, JP Morgan Chase Bank and Bank of America have expressed interest in providing short-term loans and/or lines of credit to Metro; now, therefore, be it

RESOLVED, That the Board of Directors authorizes the General Manager, the Chief Financial Officer and the Treasurer to negotiate revolving lines of credit and/or loans with one or more of Wachovia Bank, JP Morgan Chase Bank and Bank of America with the following terms: duration to be no more than 364 days; an aggregate amount of $250 million for all such lines of credit/short-term loans; an interest rate not to exceed the one month LIBOR rate plus 150 basis points, such additional fees and in such amounts as are contained in the existing Wachovia Bank short-term loan approved by the Board in Resolution 2008-23;
and closing costs including legal fees as were paid to close the existing Wachovia short-
term loan; and be it further

RESOLVED, That the documentation of all such lines or credit or short-term loans approved of in this Resolution shall be in substantially the form as agreed to in the existing Wachovia short-term loan approved by the Board of Directors in Resolution No. 2008-23, and John B. Catoe, Jr., Carol D. Kissal, and Raj Srinath are, and each of them hereby is, authorized to execute all required documents to implement the lines of credit and/or short-term loans approved of in this Resolution in the name of and on behalf of Metro with such changes as the person who executes the same may approve (provided such changes, when viewed as a whole, do not have a materially adverse effect on the interests of Metro), the execution of such documents to be conclusive evidence of such person’s approval of all such changes; and be it further

RESOLVED, That the Board of Directors approves of granting the same indemnifications to Wachovia Bank, JP Morgan Chase Bank and Bank of America in connection with the lines of credit and/or short-term loans approved of in this Resolution as were granted to Wachovia Bank in Resolution 2008-26 in connection with the existing short-term loan; and be it further

RESOLVED, That the Board of Directors authorizes Staff to use the lines of credit and/or short-term loan for short periods of time to ameliorate the impact of any shortfall in the Operating budget provided, however, that all costs of such usage (including interest) shall be payable solely out of the Operating budget and charged to the jurisdiction or jurisdictions causing the need to use the line of credit or short-term loan and not from any capital funds provided by the funding jurisdictions or from federal grants; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

Carol B. O'Keeffe
General Counsel
# Schedule A

## Jurisdictional Allocations

<table>
<thead>
<tr>
<th>Metro Matters Bond - &quot;Opt Out&quot; - Principal Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISTRICT OF COLUMBIA</td>
<td>$201,489,932</td>
<td>36.63%</td>
</tr>
<tr>
<td>MONTGOMERY COUNTY</td>
<td>$93,580,607</td>
<td>17.01%</td>
</tr>
<tr>
<td>PRINCE GEORGE'S COUNTY</td>
<td>$103,828,040</td>
<td>18.88%</td>
</tr>
<tr>
<td>MARYLAND SUBTOTAL</td>
<td>$197,408,647</td>
<td>35.89%</td>
</tr>
<tr>
<td>ALEXANDRIA</td>
<td>$24,396,090</td>
<td>4.44%</td>
</tr>
<tr>
<td>ARLINGTON</td>
<td>$47,687,708</td>
<td>8.67%</td>
</tr>
<tr>
<td>CITY OF FAIRFAX</td>
<td>$1,053,559</td>
<td>0.19%</td>
</tr>
<tr>
<td>FAIRFAX COUNTY</td>
<td>$76,419,585</td>
<td>13.89%</td>
</tr>
<tr>
<td>FALLS CHURCH</td>
<td>$1,544,479</td>
<td>0.28%</td>
</tr>
<tr>
<td>VIRGINIA SUBTOTAL</td>
<td>$151,101,421</td>
<td>27.47%</td>
</tr>
<tr>
<td><strong>TOTAL PRINCIPAL</strong></td>
<td><strong>$550,000,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Jurisdictional allocation is the distribution of local contributions in the Metro Matters Funding Agreement.*
# Metro Refinancing Annual Debt Service Comparison

City of Alexandria vs. WMATA

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>WMATA Debt Service</th>
<th>City Debt Service</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$1,824,189</td>
<td>$1,594,569</td>
<td>($229,620)</td>
</tr>
<tr>
<td>2011</td>
<td>1,823,350</td>
<td>1,596,181</td>
<td>(227,169)</td>
</tr>
<tr>
<td>2012</td>
<td>1,820,575</td>
<td>1,593,331</td>
<td>(227,244)</td>
</tr>
<tr>
<td>2013</td>
<td>1,821,425</td>
<td>1,595,031</td>
<td>(226,394)</td>
</tr>
<tr>
<td>2014</td>
<td>1,820,625</td>
<td>1,594,831</td>
<td>(225,794)</td>
</tr>
<tr>
<td>2015</td>
<td>1,823,175</td>
<td>1,593,631</td>
<td>(229,544)</td>
</tr>
<tr>
<td>2016</td>
<td>1,823,800</td>
<td>1,591,431</td>
<td>(232,369)</td>
</tr>
<tr>
<td>2017</td>
<td>1,822,500</td>
<td>1,596,181</td>
<td>(226,319)</td>
</tr>
<tr>
<td>2018</td>
<td>1,824,275</td>
<td>1,593,831</td>
<td>(230,444)</td>
</tr>
<tr>
<td>2019</td>
<td>1,823,850</td>
<td>1,595,881</td>
<td>(227,969)</td>
</tr>
<tr>
<td>2020</td>
<td>1,821,225</td>
<td>1,594,281</td>
<td>(226,944)</td>
</tr>
<tr>
<td>2021</td>
<td>1,821,400</td>
<td>1,593,281</td>
<td>(228,119)</td>
</tr>
<tr>
<td>2022</td>
<td>1,824,100</td>
<td>1,595,281</td>
<td>(228,819)</td>
</tr>
<tr>
<td>2023</td>
<td>1,824,050</td>
<td>1,595,031</td>
<td>(229,019)</td>
</tr>
<tr>
<td>2024</td>
<td>1,821,250</td>
<td>1,592,531</td>
<td>(228,719)</td>
</tr>
<tr>
<td>2025</td>
<td>1,820,700</td>
<td>1,592,781</td>
<td>(227,919)</td>
</tr>
<tr>
<td>2026</td>
<td>1,822,125</td>
<td>1,595,981</td>
<td>(226,144)</td>
</tr>
<tr>
<td>2027</td>
<td>1,825,250</td>
<td>1,596,019</td>
<td>(229,231)</td>
</tr>
<tr>
<td>2028</td>
<td>1,824,800</td>
<td>1,592,781</td>
<td>(232,019)</td>
</tr>
<tr>
<td>2029</td>
<td>1,820,775</td>
<td>1,596,156</td>
<td>(224,619)</td>
</tr>
<tr>
<td>2030</td>
<td>1,823,175</td>
<td>1,592,125</td>
<td>(231,050)</td>
</tr>
<tr>
<td>2031</td>
<td>1,821,450</td>
<td>1,595,906</td>
<td>(225,544)</td>
</tr>
<tr>
<td>2032</td>
<td>1,820,600</td>
<td>1,592,063</td>
<td>(228,538)</td>
</tr>
<tr>
<td>2033</td>
<td>1,825,350</td>
<td>1,595,813</td>
<td>(229,538)</td>
</tr>
<tr>
<td>2034</td>
<td>1,825,150</td>
<td>1,591,719</td>
<td>(233,431)</td>
</tr>
</tbody>
</table>

Total $45,569,164 $39,856,651 ($5,712,513)