City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 20, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER PS

SUBJECT: BUDGET MEMO # 64: ADDITIONAL QUESTIONS RELATED TO INCREASED BOND FUNDING FOR OPEN SPACE ACQUISITION

The following responds to Councilman Macdonald's various additional questions related to increased bond funding for open space acquisition.

Q: Given the City's AAA bond rating, how much less cash could be put toward the CIP budget without jeopardizing the AAA rating?

A: The City's bond ratings (AAA/Aaa) are derived by the bond rating agencies after they look at a number of key variables of which cash capital is a part. The rating agencies do not have a specific numerical target for cash capital but consider anything above one-third cash capital as healthy. As a result there is no magic, specific measure of how much the cash capital could be reduced before jeopardizing the City's AAA/Aaa bond ratings.

The current CIP reflects about an even split between cash capital and bonds, which is a very healthy ratio and reflects an intentional cash capital increase over the last five years. This increase was structured for five primary purposes: (a) increase the ratio of cash to bond funding by funding more than half of the total increase in capital projects with cash; (b) fund more (and eventually all) of sanitary sewer capital projects out of user fees; (c) provide 100% of the open space funding via the 1-cent; (d) provide a cushion for currently unknown but future possible CIP cost increases such as for WMATA capital needs or the T.C. Williams High School project by leaving room for additional borrowing; and (e) creating budgetary structural protection for City operations and services during economic downturns. This last item ("e") is key and means that if City revenues are not growing at a rate to sustain current services, for future budgets the cash capital funding can be reduced instead of reducing the budget for City services and curtailing operations, or raising the real estate tax rate. This counter-cyclical, economy-related budget protection is recognized by the bond rating agencies as a sound and desired practice in governmental financial management.

The rating agencies' first concerns are the amount of debt, the rate of issuance of debt, the purposes for which it is being issued (essential facilities), the total amount of the debt compared to the ability of a locality to repay that debt, and how the City's debt issuance relates to its adopted financial policies.

We would recommend against reducing cash capital in any significant manner in order to "free" funds for non-capital purposes.

Q: How much less cash could be put toward the CIP budget without causing higher interest rates on the bonds that are sold?

A: The interest rates on the City's general obligation bonds are based on the AAA/Aaa bond ratings of the City and are not related to the level of cash capital funding.

Q: What is the minimum amount of cash that bond credit ratings agencies require localities to hold in the unreserved general fund balance before the AAA rating is jeopardized?

A: The rating agencies do not have specific numerical requirements in regard to unreserved fund balance. This is because governmental entities have different revenue structures and risk profiles. The amount and trends in regard to the unreserved fund balance are one of many factors the ratings agencies use in their analysis. The rating agencies do compare localities. Moody's periodically writes and issues comparison reports. For FY 2000 (the latest comparison available) Alexandria's General Fund fund balance was less than the median fund balances for other Virginia cities and counties, and the unreserved fund balance was less than the median for Virginia cities, but higher than that of Virginia counties. Since FY 2000 the City's ending fund balance has stayed about the same while the City's budget has increased. This has meant that the percentage of the fund balance in comparison to the budget has dropped from 18% in FY 2002 to a projected 13% by the end of FY 2004 and 12% by the end of FY 2005; however, it remains consistent with the City's debt-related financial policies in keeping above the 10% floor.

Q: What would be the financial impact of issuing $10 million of bonds to fund the purchase of open space this budget year?

A: The impact of issuing $10 million in bonds for FY 2005 assuming a January 1, 2005 bond issuance date is approximately $0.2 million for FY 2005. This represents the payment of interest only for a six-month period. For FY 2006 when the City would have two interest payments and one principal payment, the debt service is $0.7 million (using a "level" repayment method). The issuance of $10 million in debt also would negatively impact to a small degree the City's debt ratios, but the key debt to real estate tax base ratio would remain under or at the City's debt to real estate tax base target ratio of 1.1 percent.

Q: Is it better to raise the entire amount at once, or issue only enough bonds to pay for the purchase of individual properties?

A: The City issues debt once per year, so when that bond issue size is determined in the late fall of each year (to be no higher than the amounts in the Approved CIP in effect at that time) an estimate of the bond level for open space can be made based upon open space cash capital and bond proceeds (if any) on hand, acquisitions in process, and judgments about the dollars needed for likely open space purchases in the coming year. If the amount of bonds issued and other resources are insufficient during that year, a decision can be made by Council to purchase open space in anticipation of a future bond issuance and reimburse with bond proceeds after the fact. Federal law sets an 18-month limit for reimbursement.

Q: How would using an additional penny of revenue (for one year only) affect the equation (debt load and so on)?

A: One additional penny of revenue, to be used as cash capital and to obtain open space, would not affect the current City's debt burdens since no new debt is involved. However, if $10 million was planned to be bonded and Council provided 1 more cent for open space to pay its debt service over time, then a "debt burden" impact will occur. This addition to the City's debt of $7.7 million - - $10 million less the value of 1-more cent in real estate taxes ($2.3 million) - - has a minor impact on the City's debt ratios as this change would only impact the City's total outstanding debt by about 3% in FY 2005. A different result would occur if the real estate tax rate is not changed from its existing $1.035 level. In this case, some $6.9 million in additional CY 2004 real estate tax revenues would be available, which could reduce the hypothetical $10 million open space bond to $3.1 million. This changes the City's debt total by about 1.4%.

Q: How much can we borrow without losing our AAA/Aaa bond rating?

A: There is not a specific numerical answer to that question. A bond rating is comprised of a number of factors, including:

- (a) economic condition and trends,
- (b) financial management,
- (c) debt ratios,
- (d) debt issuance policies and practices,
- (e) strategic goals and plans,
- (f) budgeting and accounting results,
- (g) economic growth, and
- (h) revenue stability and diversity.

In looking at the prudence of any borrowing, the rating agencies will look at:

- (a) how a proposed borrowing relates to prior borrowing plans and to existing City policies,
- (b) impact on debt ratios,
- (c) essentiality of projects for which borrowing is being undertaken, and
- (d) recent trends in borrowing and how quickly a municipality's debt capacity is being tapped.

The City's debt-related financial policies are considered a model by the bond rating agencies (as the rating agencies periodically refer other cities - such as Boston - to us to learn about the City's adopted debt-related financial policies). These debt-related financial policies establish numerical targets and limits which are conservative and have helped the City earn and maintain its AAA/Aaa status. As a 255-year old city with a significant low-income population (27% of Alexandria households have incomes of $35,000 per year or less), Alexandria's AAA/Aaa bond ratings are not as assured as most AAA/Aaa rated localities who are more suburban. While the numerical guidelines could be changed, the rating agencies would expect these changes to be made only after careful study and changed only incrementally and not radically.

While the City's debt is low to moderate, it has increased over six-fold since FY 1998. In FY 1998 the City had $30.6 million in outstanding debt, which increased to $197.5 million in FY 2004. With the proposed bond funding in the CIP, that outstanding debt level is expected to increase to $306.3 million by FY 2008. These figures show that the City has increased, and plans to increase, its debt levels substantially. This has largely been enabled by the growth in the real estate tax base, which has not only provided the tax revenues to cover increased annual debt service, but also has enabled the City to maintain a healthy debt-to-real estate tax base ratio (it is 0.87% in FY 2004), which is the primary debt ratio focused upon by the bond rating agencies.

The City's debt-related financial policy guidelines should be periodically reviewed and revisions made, if warranted. BFAAC has recently recommended two amendments (increasing the measure of "debt per capita" as a percent of per capita income targets and ceilings, as well as excluding sanitary sewer-related debt) to Council. Also, City staff have started to collect and analyze debt policies and ratios of other AAA/Aaa cities and counties. It is intended that this review and analysis of other jurisdictions and the City's debt policy will be completed by the fall, with any recommended changes in the City's debt-related financial policies then coming forth to BFAAC and Council for consideration.

Q: Do the rating agencies value open space in their analysis?

A: The rating agencies would consider open space a "quality of life" component, and as such it would not rank high in direct comparison to other essential governmental capital investments such as roads, bridges, schools, sewers, jails and courthouses. However, it clearly does contribute indirectly to persons wanting to live and work in the City (who generate tax revenues and help the tax base grow).

Finally, as requested, the most recent rating agency reports are attached.

STANDARD & POOR'S | PUBLIC FINANCE

Publication date: 18-Dec-2003
Reprinted from RatingsDirect

Alexandria, Virginia

Credit Analysts: Baltazar Juarez, New York (1) 212-438-7999; Kenneth A Gear, Washington D.C. (1) 202-383-3540

Credit Profile
US$64.7 mil GO cap imp bnds ser 2004 dtd 01/01/2004 due 06/14/2023
AAA
Sale date: 06-JAN-2004
AFFIRMED
Outstanding GO bnds
AAA
OUTLOOK: STABLE

Rationale

The 'AAA' rating on Alexandria, Va.'s series 2004 and outstanding GO bonds reflects:

- The city's prominent role in the strong and diverse regional economy of northern Virginia, which contributes to high wealth levels and low unemployment;
- A stable tourism sector that is closely tied to the city's history in the American Revolution and Civil war;
- An increasing presence of federal government services located within the city;
- Consistently strong fiscal operations bolstered by fiscal and debt policies; and
- A moderate debt burden.

The series 2004 and outstanding GO bonds are secured by the city's full faith and credit GO pledge. Proceeds from the bulk of the series 2004 bonds will be used to fund the design and construction of the new T.C. Williams High School ($32.2 million). An additional $22.2 million also will be used for city parks and buildings, including land purchases and a new public safety center.

The City of Alexandria, totaling 15.75 square miles, is adjacent to the District of Columbia and is centrally located in the high-technology corridor of northern Virginia. The city's population continues to increase and is now estimated at 135,000. This is up from 1990's figure of 111,183. The city's local economy is grounded in federal government services, high technology, professional services, and tourism. Residents also benefit from employment opportunities throughout the metropolitan area. Four Metrorail stations in the city enhance access throughout the region. Within the city itself, leading employers include Alexandria Hospital (1,539 employees) and the Institute for Defense Analysis (1,200). Also located in the city are over 390 associations, including the American Diabetes Association, with 900 employees. As a group, these associations employ an estimated 11,000 people and lend additional stability to the local economy. Moreover, in December 2003, the U.S. Patent and Trade Office relocated its headquarters to the city, bringing with it an estimated 7,500 new employees.

The city's colonial heritage (founded in 1749) and role during the Revolutionary War and the Civil War have made the city a popular tourist destination. Annually, an estimated one million people visit the city, drawn to the city's Old Town area, with its many historically preserved 18th and 19th century buildings, to shop and dine. Annually, the tourism sector contributes over $400.0 million to the local economy. Indeed, per capita retails sales are 72 times above the state average and 88 times above the national average.

The city's financial performance remains strong, bolstered by strong management practices that include formal fiscal and debt policies. The city's unreserved general fund balance policy is to maintain a minimum of 10% of general fund revenues. While this figure has fluctuated over the past years, it continues to remain well above this threshold. Audited fiscal year-end June 30, 2003 general fund revenues total $376.5 million, up 3.9% over fiscal 2002. Expenditures (including transfers out) totaled $386.7 million, up 9.3% over fiscal 2002. The city ended the year with a $10.2 million reduction in the general fund balance. This was a planned reduction in reserves, with reserves being used to fund pay-as-you-go capital projects. With the planned drawdown, the ending unreserved general fund balance totaled $54.2 million, still a healthy 14.0% of expenditures.

Outlook

The stable outlook reflects the expectation that the city's superior credit characteristics will continue, as demonstrated by continued good reserves, a manageable debt burden, and ongoing stability in the local economy.

Economy

Benefiting from the deep and diverse local and regional economy, the city's wealth levels are high and unemployment has historically been low. Since 1990, unemployment reached a high of 6.40% in 1992 and a low of 1.45% in 2000. Since 2000, the unemployment rate has gradually increased but still remains well below that of the commonwealth and the U.S. average. Through June 2003, the unemployment rate was 2.89%, which compares to 4.00% for the commonwealth and 6.12% for the U.S. Also, the new U.S. Patent and Trade Office, which opened in December 2003, will give a boost to the city's employment by adding a significant number of jobs to the city's employment base. The Office will employ an estimated 7,500 people and occupy 2.5 million square feet of office space in five buildings near the edge of the city's Old Town area.

Wealth and income figures are high and continue to increase at a faster rate than those of the commonwealth and the U.S. Median household effective buying income ($56,609) is 38% and 48% above the commonwealth and U.S. averages, respectively. Similarly, per capita effective buying effective buying income ($34,608) is 72% above the commonwealth average and 88% above the U.S. average. Moreover, from 1997 to 2001, median household effective buying income increased by 23%, compared with 12% for the commonwealth and 9% for the U.S. Per capita effective buying income increased by 27%, compared with 18% for the commonwealth and 12% for the U.S.

The city's tax base, or assessed valuation (AV), is large, has been increasing at a healthy rate, and exhibits no taxpayer concentration. Over the past five years--driven by strong residential and commercial construction--the city's tax base has increased an average of 10.8% annually. In fiscal 2003, the tax base totaled a large $19.3 billion, or a high $143,320 per capita market value--a figure that further reflects the city's high wealth levels. Moreover, there is no concentration in the tax base, with the 10 leading taxpayers accounting for only 7.4% of the base.

Finances and Debt

The fiscal 2004 general fund budget totals $397.7 million and is balanced. The budget is up 2.9% over unaudited fiscal 2003 expenditures. General property tax revenues account for $233.8 million, or 58% of the budget. The property tax rate for calendar year 2003 was $1.035 per $100 of AV. For calendar year 2004, the rate has not yet been determined. Property tax collections, on a current year basis, have historically been strong, at nearly 100% of the tax levy. Other major revenues include other local taxes at $89.0 million, or 22%, and intergovernmental aid at $45.0 million, or 11%. The largest single expenditure is for the operation of the public schools, budgeted at $121.2 million, or 30% of the general fund budget.

The city's debt burden is low, aided by formal debt limit and affordability guidelines. The city-council-adopted policy limits the city's debt to 1.6% of the tax base (market valuation). The city's 1.6% limit is in the lowest category of Standard & Poor's benchmarks. The city's debt, including the series 2004 issue, is estimated at $209.0 million. This equals a low 1.1% of market value. On a per capita basis, debt burden is moderate at $1,548. Debt service carrying charges are low at 4.5% of expenditures and transfers out. Debt also is retired faster than average--66% in 10 years and 100% by 2021.

The city uses a six-year capital improvement program--which is updated annually--to plan for its capital projects. The current six-year plan (2004-2006) totals $558.0 million, with an emphasis on streets and bridges, schools, public buildings, and parks- and recreation-related capital projects.

Of the total plan, $167.0 million (which is mainly for street improvements) will be funded by state and federal sources, and another $50.0 million of prior year funds are available for the current year plan. This leaves the city a total of $340.0 million in for capital projects. Of this total, city management expects to fund $212.0 million, or 62%, with future GO bonds. Another $93.0 million, or 27%, will be funded by pay-as-you-go financing over the course of the six years.

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingsDirect Web site at www.standardandpoors.com/ratingsdirect.

Published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. Executive offices: 1221 Avenue of the Americas, New York, NY 10020. Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280. Copyright 2003 by The McGraw-Hill Companies, Inc. Reproduction in whole or in part prohibited except by permission. All rights reserved. Information has been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

The McGraw-Hill Companies

ATTN: Sean Ekiert
Davenport

MOODY'S ASSIGNS Aaa RATING TO THE CITY OF ALEXANDRIA, VIRGINIA'S G.O. CAPITAL IMPROVEMENT BONDS, SERIES 2004

Aaa RATING AFFECTS TOTAL OF $163 MILLION IN OUTSTANDING DEBT

Alexandria (City of) VA
Alexandria (City of) VA
Municipality
Virginia

Moody's Rating

Issue		Rating
General Obligation Capital Improvement Bonds, Series 2004		Aaa
Sale Amount	$64,700,000	
Expected Sale Date	01/06/04	
Rating Description	General Obligation	

Moody's Outlook - Stable

NEW YORK, December 15, 2003 -- Moody's Investors Service has assigned a Aaa rating to the City of Alexandria, Virginia's $64.7 million General Obligation Capital Improvement Bonds, Series 2004. This highest quality rating, which carries a stable outlook, affects $143.62 million of outstanding parity debt and reflects the city's continued strong tax base growth, above-average wealth levels, economic stability derived from proximity to the nation's capital, sound financial operations, conservative budgeting and strong debt position. Proceeds of this issue will finance school construction ($32.2 million), city and parks buildings ($22.2 million), infrastructure ($9 million) and a variety of smaller city projects.

RECORD TAX BASE GROWTH DRIVEN BY STABLE RESIDENTIAL SECTOR; WEALTH AND UNEMPLOYMENT FIGURES REMAIN FAVORABLE COMPARED WITH STATE

Moody's believes that Alexandria will continue to derive substantial economic strength from its favorable location across the Potomac River from Washington, D.C., growing tax base, significant number of government- and tourism-related jobs, and affluent residential population. The city's $19.35 billion tax base includes 130,804 residents, and is characterized by low unemployment (2.5% in September 2003, compared to 3.8% for Virginia) and strong wealth indicators. Moody's believes the city's economy is well positioned for the near term. While the city lost approximately 2,000 of the 8,000 jobs gained over the past decade due to downsizing in the tech sector and the events of September 11th, the city will offset these losses through the anticipated addition of 7,500 new jobs in the city by 2007 with relocation of the U.S. Patent and Trademark Office to Alexandria. In addition to a significant number of government jobs, the city is also home to about 380 trade associations and over 4,200 hotel rooms that drive a robust tourism sector. Approximately 50% of local jobs are in the service sector with approximately 18.5% in the government sector. Average annual tax base growth for the past five years, at 12.3%, outpaced the annual average for the previous five year period, which was a much more modest 1.7%. Growth has largely been driven by residential development as well as strong market appreciation. In the past year, the office vacancy rate has dropped to 10.9% from 11%, which remains well below the northern Virginia average of 18% for the same period. Socioeconomic indicators are also significantly above-average, with 1999 per capita personal income at 157% of he state.

SOUND FINANCES WITH STRONG MANAGEMENT

Moody's believes that Alexandria's demonstrated history of conservative budgeting and sound financial practices provide strong credit strength going forward. The city maintains ample General Fund balances while also funding substantial pay-as-you-go financing of capital projects. Fiscal 2003 ended with a $10.2 million deficit, which brought General Fund balances to $58.12 million, or 15.5% of General Fund revenues. The draw-down was for a budgeted one-time capital expenditure in the amount of $11.2 million, an amount that was determined based on reserve accumulation following substantial operating surpluses in the previous four years. Positive operations were driven largely by strong assessed valuation increases, which have supported stable revenue growth, even with real property tax rate decreases of 2.7% in 2002 and 4.2% in 2003. Fiscal 3004 undesignated General Fund balances are also strong, at $27.32 million, or 7.3% of revenues. The fiscal 2004 budget projects a 6.4% increase in the General Fund, which includes a 2% COLA increase for school employees and merit increases for teachers; a 2% COLA increase and merit increases for city employees; debt service is also projected to increase in anticipation of the current issue. The overall increase in school funding is budgeted at 5.9%. Capital expenditures will decrease relative to 2003's use of $11.2 million in reserves. The 2004 budget includes no tax rate increases. Overall, Moody's expects anticipated tax base growth to drive continued revenue growth. This, combined with the city's strong financial management, leads Moody's to expect financial operations and fund balance to remain sound going forward.

MODEST DEBT BURDEN REFLECTS CONSERVATIVE BORROWING FOR CAPITAL PROJECTS

Moody's views as a credit strength Alexandria's very conservative debt issuance guidelines - which include a debt burden limit of only 1.6% and target of 1.1% -- and we expect that debt levels will remain very manageable as a result. The city has traditionally relied on pay-as-you-go financing of its capital needs, resulting in a very low debt burden of 1.3%, which is considerably below the Virginia municipal median of 2.5%. Debt service expenditures in fiscal 2000 represented a modest 3.3% of operating expenditures. Retirement of general obligation debt is slightly above average, with approximately 57.3% of principal retired within 10 years. The fiscal 2004-2009 capital improvement program totals $340.08 million (including the current issue), of which approximately 62% will be debt-financed and approximately 38% will be financed through pay-go and other cash sources. The planned issuances are to be sold annually from 2004 to 2008. The largest components of the plan are for schools (39%), public buildings (25%) and recreation & parks (15%). The next general obligation issue is expected to be issued in 2005. City projections anticipate that even with the upcoming debt, debt ratios will remain significantly below Virginia, national and Aaa-municipal averages.

KEY STATISTICS

2000 population: 128,283

2000 full valuation: $14.63 billion

2000 full valuation per capita: $114,063

9/03 unemployment (city): 2.5%

Debt burden: 1.3%

Payout of principal (10 years): 57.3%

FY03 General Fund balance: $58.12 million (15.5% of General Fund revenues)

FY03 Undesignated General Fund balance: $27.32 million (7.3% of General Fund revenues)

Median family income as % of state: 123.7%

Per capita income as % of state: 157%

Post sale parity debt outstanding: $208.32 million

ANALYSTS:
Patrick Mispagel, Analyst, Public Finance Group, Moody's Investors Service
Lisa Cole, Backup Analyst, Public Finance Group, Moody's Investors Service

CONTACTS:
Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Copyright 2003, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider

urchasing, holding or selling. MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to $1,800,000.