


27
9-28-04

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 22, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: CONSIDERATION OF A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004B

ISSUE: Consideration of a resolution authorizing the issuance and sale of General Obligation Refunding Bonds, Series 2004B; authorizing the form and other details of such bonds; authorizing the City Manager and the Director of Finance to take all actions as shall be required in connection with the issuance, sale and delivery of such bonds; and otherwise providing details with respect to the issuance of such bonds.

RECOMMENDATION: That City Council adopt the attached resolution which

- (1) Authorizes the issuance and sale of the General Obligation Refunding Bonds, Series 2004B;
- (2) Approves the form and other details of such bonds;
- (3) Authorizes the City Manager and the Director of Finance to take all actions as shall be required in connection with the issuance, sale and delivery of such bonds; and
- (4) Provides details with respect to the issuance of such bonds.

BACKGROUND: Interest rates on long-term municipal bonds have fallen considerably over the last month. This development, along with increases in the potential investment yield on advance refunding proceeds which would be held in escrow to pay for refunded bonds, has made the refunding of approximately \$30 million of the City's Series 2000 Bonds possible. The savings, based on interest rates available at the beginning of September, are approaching \$0.1 million per year through the year 2020, for a total savings of about \$1.5 million.

The proposed resolution gives the City Manager and Director of Finance the authority to issue new bonds to refund the callable portion of the bonds that were issued in 2000 and 2001. To refund the bonds, the City would issue new bonds. The proceeds from these refunding bonds would be placed in an escrow account which is invested in special federal government-issued securities with the principal and interest from the investments being used to pay the principal and interest of the old bonds (refunded bonds). The old bonds for which the escrow account was established would be treated as a defeasance and would no longer be counted in any debt statistics. The new bonds would count in the City's debt statistics. The savings occurs when the debt service on the refunding bonds is less than the debt service on the refunded bonds.

Our financial advisors have informed us that under current market conditions the City is able at this time to only refund the Series 2000 bonds at a savings. If interest rates continue to drop, this resolution gives the City Manager the authority to also refund the Series 2001 bonds. Given that there is a small chance that interest rates might drop further in the next few weeks, more outstanding City bonds may become refundable. As a result, a maximum authorization of \$67 million in refunding bonds is recommended. The City would not issue any refunding bonds if interest rates increase before the City can sell the bonds. To take advantage of the current low interest rate window, staff plans to sell the refunding bonds on October 5. The amount of bonds issued will be based on the market conditions near that date.

As with any bond issue, the City is required to notify the rating agencies of our intent to issue debt and to produce an "Official Statement" which is a disclosure document that informs the investing public of the provisions of the bonds, how the bonds will be paid and the City's financial, economic and social characteristics. However, no formal bond rating meetings are required by the bond rating agencies for bond refunding. It is expected that the refunding bonds will be rated AAA/Aaa.

FISCAL IMPACT: The proposed resolution contains authorization for an issuance of general obligation refunding bonds not to exceed \$67 million. If the current market prevails, the City will refund about \$30 million in City Series 2000 bonds. The savings from this action are approximately \$100,000 per year through 2020, which would produce \$1.5 million in total savings and \$1.3 million in present value savings, which is sufficient to warrant a refunding. This represents a 3.7% savings, 1.2% over the 2.5% savings threshold needed for a bond refunding sale to occur. This issue will increase only slightly the City's debt ratios in its financial policies, since the refunded bonds would be defeased and will not be used in its debt statistics; the new bonds would be used in the City's debt statistics.

ATTACHMENT: Resolution Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Refunding Bonds, Series 2004B.

STAFF:

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

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALEXANDRIA, VIRGINIA AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004B; APPROVING THE FORM AND OTHER DETAILS OF SUCH BONDS; AUTHORIZING THE CITY MANAGER AND THE DIRECTOR OF FINANCE TO TAKE ALL ACTIONS AS SHALL BE REQUIRED IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF SUCH BONDS; AND OTHERWISE PROVIDING DETAILS WITH RESPECT TO THE ISSUANCE OF SUCH BONDS.

WHEREAS, the City Council of the City of Alexandria, Virginia (the "City") has determined that it is advisable to issue and sell general obligation refunding bonds of the City to refund all or a portion of the outstanding balance of the City's (i) \$55,000,000 Consolidated Public Improvement General Obligation Bonds, Series 2000 and (ii) \$54,500,000 Consolidated Public Improvement General Obligation Bonds, Series 2001 (collectively, the "Prior Bonds").

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

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 refunding bonds of the City in one or more series in the maximum aggregate principal amount of \$67,000,000 (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 refund all or a portion of the Prior Bonds in the discretion of the City Manager and the Director of Finance, or either of them, as set forth in paragraph 11 hereof and to pay the costs of issuing the Bonds.

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 and sold upon the terms established pursuant to this Resolution and upon such other terms as may be determined in the manner set forth in this Resolution. The Bonds shall be issued and sold only if the present value debt service savings to the City is at least 2.5% of the bonds to be refunded. The Bonds shall be issued in fully registered form, shall be dated such date as the Director of Finance may approve, shall be in denominations of \$5,000 and integral multiples thereof and shall be numbered from R-1 upwards consecutively. The Bonds shall be issued in one or more series in such aggregate principal amount, and may be combined with other authorized general obligation bonds of the City, and shall mature or be subject to mandatory sinking fund redemption on such dates and in such amounts as the Director of Finance may approve, provided that the aggregate principal amount of the Bonds shall not exceed the amount set forth in paragraph 1 and the final maturity of the Bonds shall not be later than approximately 18 years from their date. The City Manager and the Director of Finance, or either of them, is authorized and directed accept a bid for the purchase of the Bonds which results in the lowest true interest cost to the City and the Bonds shall bear interest, payable semi-annually, at such rate or rates and shall be sold at such price or prices as may be set forth in the bid accepted by such officer or officers; provided that the true interest cost of the Bonds shall not exceed 5.5% per annum and the purchase price shall be not less than 97% of the par amount of the Bonds, taking into account any original issue discount. The City Manager and the Director of Finance, or either of them, is authorized and directed to

approve such optional or mandatory redemption provisions for the Bonds as such officer or officers may determine to be in the best interest of the City.

4. Form of Bonds. The Bonds shall be in substantially the forms attached to this Resolution as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. 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 shall be issued in book-entry-only form. The Bonds shall be issued in fully-registered form and 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 shall be registered to Cede & Co. Beneficial owners of the Bonds shall not receive physical delivery of the Bonds. 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 shall 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. The City shall notify DTC of any notice required to be given pursuant to this Resolution or the Bonds not less than fifteen (15) calendar days prior to the date upon which such notice is required to be given. The City shall also comply with the agreements set forth in the City's Letter of Representations to DTC.

Replacement Bonds (the "Replacement Bonds") shall 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 determined not to continue to use DTC as the securities depository for the Bonds; or
- (iii) The City has determined 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 or upon the occurrence of the event described in (iii) above, the City shall execute and deliver Replacement Bonds substantially in the form set forth in Exhibit A attached hereto. Principal of and interest on the Replacement Bonds shall be payable as provided in this Resolution and in the Bonds and such Replacement Bonds will be transferable in accordance with the provisions of paragraphs 9 and 10 of this Resolution and the Bonds.

6. Appointment of Bond Registrar and Paying Agent. The City Manager is 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 such Bond Registrar and Paying Agent may be the Director of Finance.

The City Manager 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 City Manager 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 City Manager 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 shall 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 Resolution 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. Refunding of Prior Bonds. If it is determined by the City Manager and the Director of Finance, or either of them, that the present value savings described in paragraph 3 will be attained, the City Manager and the Director of Finance, or either of them, is authorized to (a) approve the issuance of the Bonds and the aggregate principal amount of such Bonds (not to exceed the maximum amount set forth in paragraph 1) sufficient to provide for the redemption or payment at maturity of such maturities of the Prior Bonds as such officer or officers may determine and to provide for the redemption of such portion of the Prior Bonds and (b) enter into an Escrow Agreement with an escrow agent to be selected by the Director of Finance providing for the deposit and investment of such portion of the proceeds of the Bonds to be applied to the payment of the Prior Bonds to be redeemed on the earliest redemption date or at maturity, as appropriate.

12. Non-Arbitrage Certificate and Tax Covenants. The City Manager and the Director of Finance, or either of them, 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 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 all of such proceeds will be invested and expended as set forth in the City's Non-Arbitrage Certificate and Tax Covenants and that the City will comply with the other covenants and representations contained therein.

13. Disclosure Documents. The Director of Finance and the City Manager, 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 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 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 with respect to the Bonds "final" for purposes of Securities and Exchange Commission Rule 15c2-12.

14. Continuing Disclosure. The City Manager and the Director of Finance, or either of them, are authorized and directed to enter into a Continuing Disclosure Agreement for the

benefit of the owners of the Bonds to assist the underwriter for the Bonds in complying with the provisions of Section (b)(5) of Securities and Exchange Commission Rule 15c2-12.

15. 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 and to execute and deliver such additional agreements, documents and certificates as they deem necessary regarding the Bonds and all actions taken by such officers and agents in connection with the Bonds are ratified and confirmed.

16. Effective Date; Applicable Law. In accordance with Section 15.2-2601 of the Public Finance Act of 1991, Chapter 26, Title 15.2, 1950 Code of Virginia, as amended, (the "Act"), the City Council elects to issue the Bonds pursuant to the provisions of the Act. This Resolution shall take effect immediately.

Adopted by the City Council at a meeting duly called and held on September 28, 2004.

Clerk, City of Alexandria, Virginia

EXHIBIT A
FORM OF BOND

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA

No. R-

CITY OF ALEXANDRIA

GENERAL OBLIGATION REFUNDING BOND
SERIES 2004B

MATURITY DATE

INTEREST RATE

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

CITY OF ALEXANDRIA, VIRGINIA ("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 _____ 15 and _____ 15, beginning on _____ 15, 2005. This Bond shall bear interest (a) from _____ 1, 2004, if this Bond is authenticated before _____ 15, 2005 or (b) otherwise from the _____ 15 or _____ 15 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; provided that as long as Cede & Co. is the registered

owner of this Bond, interest shall be paid by wire transfer. All interest payments shall be made to the registered owner as it appears on the registration books kept by the Bond Registrar on the first day of the month in which each interest payment date occurs.

This Bond has been duly authorized by the City Council and is issued for the purpose of refunding certain outstanding general obligation public improvement bonds of the City and paying the costs of issuance of the Bonds. 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 Refunding Bonds, Series 2004B of the City, ("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 a Resolution adopted by the City Council on September 28, 2004 ("Resolution").

Bonds maturing on or before _____ 15, ____ are not subject to redemption before maturity. Bonds at the time outstanding which are stated to mature on or after _____ 15, ____ may be redeemed before their maturities on or after _____ 15, ____ 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:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
_____ 15, 20__ through _____ 14, 20__	_____ %
_____ 15, 20__ through _____ 14, 20__	_____ %
_____ 15, 20__ and thereafter	_____ %

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 manner as such officer may deem to be in the best interest of the City. 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 The Depository Trust Company or any successor securities depository, or if the book-entry-only system is discontinued, 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 facsimile transmission, registered or certified mail or overnight express delivery 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 Resolution 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 Manager 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 the City Manager, a facsimile of its seal to be affixed and attested by the facsimile signature of the City Clerk and this Bond to be dated _____, 2004.

CITY OF ALEXANDRIA, VIRGINIA

By _____
City Manager,
City of Alexandria, Virginia

[SEAL]

ATTEST:

Clerk,
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 _____

Signature Guaranteed:

(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association which is a member of a medallion program approved by The Securities Association, Inc.)

Registered Owner
(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.)

CERTIFICATE OF AUTHENTICATION

The undersigned Bond Registrar hereby certifies that this is one of a series of Bonds of the City of Alexandria, Virginia described in the within-mentioned Resolution.

Authentication Date: _____

By: _____

Title: _____

At a regular meeting of the City Council of the City of Alexandria, Virginia, held on the 28th day of September, 2004, the following City Council members 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 by a roll call vote, the votes being recorded as follows:

MEMBER

VOTE