

EXHIBIT NO. 1


9
3-12-11 ~~8~~
~~3-8-11~~

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 2, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY 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

ISSUE: Consideration of an ordinance (Attachment 1) to authorize the issuance of \$69.95 million in General Obligation Bonds to finance various City and School capital projects.

RECOMMENDATION: That City Council introduce the ordinance, pass it on first reading and schedule it for public hearing, second reading, and final passage on Saturday, March 12.

DISCUSSION: The proposed ordinance authorizes the issuance of up to \$69.95 million in General Obligation Bonds for FY 2011 and FY 2012 capital projects. This bond issuance for City capital projects would be consistent with bond amounts reflected in the already Council-approved Capital Improvement Program (CIP) (Approved CIP FY 2011, page 5-3). This is an estimate of the maximum bond issuance authority that the City may need over the next fiscal year. The actual amount of bonds the City will issue will depend on the City's projected cash needs as well as interest rate conditions in the marketplace. A late June or early July bond issuance is planned to take advantage of the cyclical supply and demand imbalance in the municipal bond marketplace that occurs each year at that time.

The major project listing and dollar allocations on the next page derive from the CIP. It should be noted that the Public Buildings category includes the final planned funding of the new Police Headquarters facility, as well as lists "\$0" funding for the Affordable Housing category. This listing will allow a future reallocation to Affordable Housing in the event funds are required (such as to assist in the funding of the 16 ARHA replacement units). Payment of any new debt service for Affordable Housing would derive from the existing real estate tax dedication for Affordable Housing.

MAJOR PROJECT CATEGORIES AND AMOUNTS COVERED BY THIS BOND AUTHORIZATION

General Project Description	Estimated Maximum Cost
<u>Schools</u> Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under "ACPS" and "Schools").	\$13,000,000
<u>City Parks and Public Buildings</u> 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").	\$20,000,000
<u>Transportation and Metro Improvements</u> 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).	\$12,000,000
<u>Information Technology</u> 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").	\$ 3,000,000
<u>Infrastructure</u> Construction, renovation and improvement of City streets, bridges, storm sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Community Development," "Street, Bridge and Pedestrian Improvements," and "Sewers – Stormwater Management").	\$11,050,000
<u>Affordable Housing</u> Acquisition, construction, remodeling and repairing of affordable housing and acquisition of necessary land and equipment.	\$0
<u>Sanitary Sewer</u> Construction, renovation and improvement of City sanitary sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Sewers – Sanitary Sewers").	\$10,900,000
Total	\$69,950,000

Proposed Structure of the Bonds: As is the City's practice, the contemplated \$69.95 million bond issue for FY 2011 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 approximate 20-year life of the bonds, include a 10-year call provision, and be competitively bid on the internet. We expect that the bonds will be rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. These are the top ratings issued by the bond rating agencies. The City uses two rating agencies, and not three as some jurisdictions do, as there is no interest rate benefit to obtaining a third rating, and a third rating would have an annual cost to the City. The bond market recognizes that the City's bonds are of the same high quality as bonds with three triple-A ratings, in that the City's bonds generally trade the same or better as other triple-A rated bonds.

The City's outstanding debt prior to this bond sale would be \$415.7 million. With this bond issuance and scheduled bond repayments during FY 2012, the City will end FY 2012 with an outstanding bond indebtedness of \$461.9 million. This level of debt is within the City's debt policy guidelines and maintains the City in what the bond rating agencies would recognize as in the low to moderate debt range. The prime measure of a locality's debt burden is the ratio of debt to its property tax base. Alexandria's conservative debt policy guidelines (which the bond rating agencies consider exemplary) have a debt to tax base target of 1.1% and a limit of 1.6%. With the issuance of this \$69.950 million in bonds, the debt to tax base ratio will rise from 1.3% to 1.4% which is under the City's self-imposed limit. Rapid debt repayment is a hallmark of prudent financial management. Of the City's current \$415.7 million in outstanding debt, 65% will be repaid in 10 years.

The bonds will be issued as tax-exempt, fixed-rate bonds. Given the current market demands 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 3.0 percent to 3.3 percent TIC range. This compares to a 2.68 percent TIC for the July 2010 City bond issue, and is lower than the running five-year average for AAA tax-exempt bond sales. The expiration of the federal government's stimulus program Build America Bond interest rate subsidy will likely cause the interest rate to be higher than the historically low rate achieved in July 2010. However, if one looked back at bond interest rates over the last two decades, the likely TIC will be low by historical standards.

FISCAL IMPACT: The fiscal impact of the \$69.95 million bond issuance for City and School purposes will be a single \$1.1 million estimated interest payment in FY 2012. Principal repayment will begin in FY 2013 which would also have two interest payments (i.e., a full year) totaling about \$2.1 million.

ATTACHMENT:

Attachment 1 - Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds

STAFF:

Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Laura B. Triggs, Deputy Chief Financial Officer

EXHIBIT NO.

2

Introduction and first reading: 3/8/11

Public hearing: 3/12/11

Second reading and enactment: 3/12/11

INFORMATION ON PROPOSED ORDINANCE

Title

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 \$69,950,000; 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 \$69,950,000.

Sponsor

Staff

Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Office
Laura B. Triggs, Deputy Chief Financial Officer
Christina Zechman Brown, Assistant 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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48

ORDINANCE NO. _____

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 \$69,950,000; 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 \$69,950,000 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 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 \$69,950,000 (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.

<u>General Project Description</u>	<u>Estimated Maximum Cost</u>
<u>Schools</u>	\$13,000,000
Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under “ACPS” and “Schools”).	
<u>City Parks and Public Buildings</u>	\$20,000,000
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”).	
<u>Transportation and Metro Improvements</u>	\$12,000,000
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).	

1		
2	<u>Information Technology</u>	\$3,000,000
3	Maintenance and upgrade of the City's information	
4	technology infrastructure and hardware, networks,	
5	and software (includes projects contained in the	
6	capital improvement program under "Information	
7	Technology Plan").	
8		
9	<u>Infrastructure</u>	\$11,050,000
10	Construction, renovation and improvement of City	
11	streets, bridges, storm sewers and	
12	acquisition of necessary equipment (includes	
13	projects contained in the capital improvement	
14	program under "Community Development,"	
15	"Streets, Bridges and Pedestrian Improvements,"	
16	and " Stormwater Management").	
17		
18	<u>Affordable Housing</u>	\$0
19	Acquisition, construction, remodeling and	
20	repairing of affordable housing and acquisition of	
21	necessary land and equipment.	
22		
23	<u>Sanitary Sewer</u>	\$10,900,000
24	Construction, renovation and improvement of City	
25	sanitary sewers and acquisition of necessary	
26	equipment (includes projects contained in the	
27	capital improvement program under "Sanitary Sewer").	
28		
29	<u>Total:</u>	\$69,950,000
30		
31		

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

38
39 **3. Details and Sale of Bonds.** The Bonds shall be issued upon the terms established
40 pursuant to this Ordinance and upon such other terms as may be determined in the manner set
41 forth in this Ordinance. The Bonds shall be issued in one or more taxable or tax-exempt series,
42 in fully registered form, shall be dated such date or dates as the City Manager and the Director of
43 Finance, or either of them, may approve, shall be in the denominations of \$5,000 each or whole
44 multiples thereof and shall be numbered from R-1 upwards consecutively. The Bonds shall

1 mature on such dates and in such amounts and shall be issued in such principal amount as the
2 City Manager and the Director of Finance, or either of them, may approve, provided that the
3 final maturity of any Bond is not more than approximately 25 years from its date and the
4 aggregate principal amount of the Bonds is not more than \$69,950,000. The City Manager and
5 the Director of Finance, or either of them, is authorized and directed, at his or her option, to
6 accept a bid or bids for the purchase of the Bonds which results in the lowest true interest cost to
7 the City and the Bonds shall bear interest, payable semi-annually, at such rate or rates and shall
8 be sold to the successful bidder or bidders at such price as may be set forth in the bid or bids so
9 accepted, or, if he or she deems it to be in the City's financial interest, to forego such competitive
10 bidding and negotiate the sale of the Bonds to one or more initial purchasers; provided that the
11 true interest cost of the Bonds shall not exceed 6.5% per annum. The City Manager and the
12 Director of Finance, or either of them, is authorized and directed to approve such optional
13 redemption provisions for the Bonds as such officer or officers determine to be in the best
14 interest of the City. The City Council may provide for additional or other terms of the Bonds by
15 subsequent resolution.

16
17 **4. Form of Bonds.** The Bonds shall be in substantially the form attached to this
18 Ordinance as Exhibit A, with such appropriate variations, omissions and insertions as are
19 permitted or required by this Ordinance. There may be endorsed on the Bonds such legend or
20 text as may be necessary or appropriate to conform to any applicable rules and regulations of any
21 governmental authority or any usage or requirement of law with respect thereto.

22
23 **5. Book-Entry-Only-Form.** The Bonds may be issued in book-entry-only form. The
24 Bonds shall be issued in fully-registered form and may be registered in the name of Cede & Co.,
25 as nominee of The Depository Trust Company, New York, New York ("DTC") as registered
26 owner of the Bonds, and immobilized in the custody of DTC. One fully-registered Bond in
27 typewritten or printed form for the principal amount of each maturity of the Bonds may be
28 registered to Cede & Co. In such event, beneficial owners of the Bonds shall not receive
29 physical delivery of the Bonds and principal, premium, if any, and interest payments on the
30 Bonds shall be made to DTC or its nominee as registered owner of the Bonds on the applicable
31 payment date.

32
33 Transfer of ownership interest in the Bonds may be made by DTC and its participants
34 (the "Participants"), acting as nominees of the beneficial owners of the Bonds in accordance with
35 rules specified by DTC and its Participants. In such event, the City shall notify DTC of any
36 notice required to be given pursuant to this Ordinance or the Bonds not less than fifteen (15)
37 calendar days prior to the date upon which such notice is required to be given and the City shall
38 also comply with the agreements set forth in the City's Letter of Representations to DTC.

39
40 In the event the Bonds are issued in book-entry-only form and registered in the name of
41 DTC's nominee as permitted above, replacement Bonds (the "Replacement Bonds") may be
42 issued directly to beneficial owners of the Bonds rather than to DTC or its nominee but only in
43 the event that:
44

- 1 (i) DTC determines not to continue to act as securities depository for the Bonds; or
2
3 (ii) The City has advised DTC of its determination not to use DTC as a securities
4 depository; or
5
6 (iii) The City has determined that it is in the best interest of the beneficial owners of
7 the Bonds or the City not to continue the book-entry system of transfer.
8

9 Upon occurrence of an event described in (i) or (ii) above, the City shall attempt to locate
10 another qualified securities depository. If the City fails to locate another qualified securities
11 depository to replace DTC, the City Council shall execute and deliver Replacement Bonds
12 substantially in the form set forth in Exhibit A to this Ordinance to the Participants. In the event
13 the City Council, in its discretion, makes the determination noted in (iii) above and has made
14 provisions to notify the beneficial owners of the Bonds by mailing an appropriate notice to DTC,
15 the appropriate officers and agents of the City shall execute and deliver Replacement Bonds
16 substantially in the form set forth in Exhibit A to this Ordinance to any Participants requesting
17 such Replacement Bonds. Principal of and interest on the Replacement Bonds shall be payable
18 as provided in this Ordinance and in the Bonds and Replacement Bonds will be transferable in
19 accordance with the provisions of paragraphs 9 and 10 of this Ordinance and the Bonds.
20

21 **6. Appointment of Bond Registrar and Paying Agent.** The City Manager and the
22 Director of Finance, or either of them, are authorized and directed to appoint a Bond Registrar
23 and Paying Agent for the Bonds and as long as the Bonds are in book-entry form, either of such
24 officers may serve as Paying Agent.
25

26 The City Manager and the Director of Finance, or either of them, may appoint a
27 subsequent registrar and/or one or more paying agents for the Bonds upon giving written notice
28 to the owners of the Bonds specifying the name and location of the principal office of any such
29 registrar or paying agent.
30

31 **7. Execution of Bonds.** The Mayor and the Clerk of the City are authorized and
32 directed to execute appropriate negotiable Bonds and to affix the seal of the City thereto and to
33 deliver the Bonds to the purchaser thereof upon payment of the purchase price. The manner of
34 execution and affixation of the seal may be by facsimile, provided, however, that if the
35 signatures of the Mayor and the Clerk are both by facsimile, the Bonds shall not be valid until
36 signed at the foot thereof by the manual signature of the Bond Registrar.
37

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

43 **9. Registration, Transfer and Exchange.** Upon surrender for transfer or exchange of
44 any Bond at the principal office of the Bond Registrar, the City shall execute and deliver and the

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

10
11 New Bonds delivered upon any transfer or exchange shall be valid obligations of the
12 City, evidencing the same debt as the Bonds surrendered, shall be secured by this Ordinance and
13 entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

14
15 **10. Charges for Exchange or Transfer.** No charge shall be made for any exchange or
16 transfer of Bonds, but the City may require payment by the registered owner of any Bond of a
17 sum sufficient to cover any tax or other governmental charge which may be imposed with
18 respect to the transfer or exchange of such Bond.

19
20 **11. Non-Arbitrage Certificate and Tax Covenants.** The City Manager and the Director
21 of Finance, or either of them, and such officers and agents of the City as either of them may
22 designate are authorized and directed to execute with respect to each series of the Bonds a Non-
23 Arbitrage Certificate and Tax Covenants setting forth the expected use and investment of the
24 proceeds of the Bonds and containing such covenants as may be necessary in order to comply
25 with the provisions of the Tax Code, including the provisions of Section 148 of the Tax Code
26 and applicable regulations relating to "arbitrage bonds." The City Council covenants on behalf
27 of the City that the proceeds from the issuance and sale of the Bonds will be invested and
28 expended as set forth in the City's Non-Arbitrage Certificate and Tax Covenants relating to such
29 Bonds, to be delivered simultaneously with the issuance and delivery of the Bonds and that the
30 City shall comply with the other covenants and representations contained therein.

31
32 **12. RESERVED.**

33
34 **13. Disclosure Documents.** The City Manager and the Director of Finance, or either of
35 them, and such officers and agents of the City as either of them may designate are hereby
36 authorized and directed to prepare, execute, if required, and deliver an appropriate notice of sale,
37 preliminary official statement, official statement, continuing disclosure agreement or such other
38 offering or disclosure documents as may be necessary to expedite the sale of the Bonds. The
39 notice of sale, preliminary official statement, official statement, continuing disclosure agreement
40 or other documents shall be published in such publications and distributed in such manner,
41 including electronically, and at such times as the Director of Finance shall determine. The
42 Director of Finance is authorized and directed to deem the preliminary official statement "final"
43 for purposes of Securities and Exchange Commission Rule 15c2-12.

1 **14. Affordable Housing Projects.** The City Council hereby authorizes the City Manager
 2 and the Director of Finance, or either of them, to reallocate a portion of the proceeds of the
 3 Bonds for affordable housing projects, if deemed desirable by the City Manager and the Director
 4 of Finance, or either of them.

5
 6 **15. Further Actions.** The City Manager and the Director of Finance and such officers
 7 and agents of the City as either of them may designate are authorized and directed to take such
 8 further action as they deem necessary regarding the issuance and sale of the Bonds including the
 9 execution and delivery of such bond purchase agreement as may be required in connection with
 10 any negotiated sale of the Bonds and the execution and delivery of any such other documents,
 11 agreements and certificates (including applications for tax credits) as they may deem necessary
 12 or desirable and all actions taken by such officers and agents in connection with the issuance and
 13 sale of the Bonds are ratified and confirmed.

14
 15 **16. Reimbursement.** The City Council adopts this declaration of official intent under
 16 Treasury Regulations Section 1.150-2. The City Council reasonably expects to reimburse
 17 advances made or to be made by the City to pay the costs of the Projects from the proceeds of its
 18 debt. The maximum amount of debt expected to be issued for the Projects is set forth in
 19 paragraph 1 above. The City hereby authorizes the Director of Finance, on behalf of the City, to
 20 specifically declare the City’s official intent to reimburse portions of the cost of the Projects with
 21 Bond proceeds.

22
 23 **17. Effective Date; Applicable Law.** In accordance with Section 15.2-2601 of the Code
 24 of Virginia of 1950, as amended, the City Council elects to issue the Bonds pursuant to the
 25 provisions of the Public Finance Act of 1991. This Ordinance shall take effect at the time of its
 26 enactment.

27
 28 WILLIAM D. EUILLE
 29 Mayor
 30

31 Introduction: 3/8/11
 32 First Reading: 3/8/11
 33 Publication: 2/27/11 & 3/6/11
 34 Public Hearing: 3/12/11
 35 Second Reading: 3/12/11
 36 Final Passage: 3/12/11

EXHIBIT NO. 1

9
3-12-11


~~8~~
~~3-8-11~~

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 2, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY 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

ISSUE: Consideration of an ordinance (Attachment 1) to authorize the issuance of \$69.95 million in General Obligation Bonds to finance various City and School capital projects.

RECOMMENDATION: That City Council introduce the ordinance, pass it on first reading and schedule it for public hearing, second reading, and final passage on Saturday, March 12.

DISCUSSION: The proposed ordinance authorizes the issuance of up to \$69.95 million in General Obligation Bonds for FY 2011 and FY 2012 capital projects. This bond issuance for City capital projects would be consistent with bond amounts reflected in the already Council-approved Capital Improvement Program (CIP) (Approved CIP FY 2011, page 5-3). This is an estimate of the maximum bond issuance authority that the City may need over the next fiscal year. The actual amount of bonds the City will issue will depend on the City's projected cash needs as well as interest rate conditions in the marketplace. A late June or early July bond issuance is planned to take advantage of the cyclical supply and demand imbalance in the municipal bond marketplace that occurs each year at that time.

The major project listing and dollar allocations on the next page derive from the CIP. It should be noted that the Public Buildings category includes the final planned funding of the new Police Headquarters facility, as well as lists "\$0" funding for the Affordable Housing category. This listing will allow a future reallocation to Affordable Housing in the event funds are required (such as to assist in the funding of the 16 ARHA replacement units). Payment of any new debt service for Affordable Housing would derive from the existing real estate tax dedication for Affordable Housing.

**MAJOR PROJECT CATEGORIES AND AMOUNTS COVERED BY THIS BOND
AUTHORIZATION**

General Project Description	Estimated Maximum Cost
<u>Schools</u> Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under "ACPS" and "Schools").	\$13,000,000
<u>City Parks and Public Buildings</u> 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").	\$20,000,000
<u>Transportation and Metro Improvements</u> 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).	\$12,000,000
<u>Information Technology</u> 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").	\$ 3,000,000
<u>Infrastructure</u> Construction, renovation and improvement of City streets, bridges, storm sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Community Development," "Street, Bridge and Pedestrian Improvements," and "Sewers – Stormwater Management").	\$11,050,000
<u>Affordable Housing</u> Acquisition, construction, remodeling and repairing of affordable housing and acquisition of necessary land and equipment.	\$0
<u>Sanitary Sewer</u> Construction, renovation and improvement of City sanitary sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Sewers – Sanitary Sewers").	\$10,900,000
Total	\$69,950,000

Proposed Structure of the Bonds: As is the City's practice, the contemplated \$69.95 million bond issue for FY 2011 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 approximate 20-year life of the bonds, include a 10-year call provision, and be competitively bid on the internet. We expect that the bonds will be rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. These are the top ratings issued by the bond rating agencies. The City uses two rating agencies, and not three as some jurisdictions do, as there is no interest rate benefit to obtaining a third rating, and a third rating would have an annual cost to the City. The bond market recognizes that the City's bonds are of the same high quality as bonds with three triple-A ratings, in that the City's bonds generally trade the same or better as other triple-A rated bonds.

The City's outstanding debt prior to this bond sale would be \$415.7 million. With this bond issuance and scheduled bond repayments during FY 2012, the City will end FY 2012 with an outstanding bond indebtedness of \$461.9 million. This level of debt is within the City's debt policy guidelines and maintains the City in what the bond rating agencies would recognize as in the low to moderate debt range. The prime measure of a locality's debt burden is the ratio of debt to its property tax base. Alexandria's conservative debt policy guidelines (which the bond rating agencies consider exemplary) have a debt to tax base target of 1.1% and a limit of 1.6%. With the issuance of this \$69.950 million in bonds, the debt to tax base ratio will rise from 1.3% to 1.4% which is under the City's self-imposed limit. Rapid debt repayment is a hallmark of prudent financial management. Of the City's current \$415.7 million in outstanding debt, 65% will be repaid in 10 years.

The bonds will be issued as tax-exempt, fixed-rate bonds. Given the current market demands 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 3.0 percent to 3.3 percent TIC range. This compares to a 2.68 percent TIC for the July 2010 City bond issue, and is lower than the running five-year average for AAA tax-exempt bond sales. The expiration of the federal government's stimulus program Build America Bond interest rate subsidy will likely cause the interest rate to be higher than the historically low rate achieved in July 2010. However, if one looked back at bond interest rates over the last two decades, the likely TIC will be low by historical standards.

FISCAL IMPACT: The fiscal impact of the \$69.95 million bond issuance for City and School purposes will be a single \$1.1 million estimated interest payment in FY 2012. Principal repayment will begin in FY 2013 which would also have two interest payments (i.e., a full year) totaling about \$2.1 million.

ATTACHMENT:

Attachment 1 - Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds

STAFF:

Mark Jinks, Deputy City Manager
Bruce Johnson, Chief Financial Officer
Laura B. Triggs, Deputy Chief Financial Officer

ORDINANCE NO. 4707

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 \$69,950,000; 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 \$69,950,000 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 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 \$69,950,000 (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.

<u>General Project Description</u>	<u>Estimated Maximum Cost</u>
<u>Schools</u> Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under “ACPS” and “Schools”).	\$13,000,000
<u>City Parks and Public Buildings</u> 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”).	\$20,000,000
<u>Transportation and Metro Improvements</u> 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).	\$12,000,000

<u>Information Technology</u>	\$3,000,000
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”).	
<u>Infrastructure</u>	\$11,050,000
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,” “Streets, Bridges and Pedestrian Improvements,” and “ Stormwater Management”).	
<u>Affordable Housing</u>	\$0
Acquisition, construction, remodeling and repairing of affordable housing and acquisition of necessary land and equipment.	
<u>Sanitary Sewer</u>	\$10,900,000
Construction, renovation and improvement of City sanitary sewers and acquisition of necessary equipment (includes projects contained in the capital improvement program under “Sanitary Sewer”).	
<u>Total:</u>	\$69,950,000

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 \$69,950,000. 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 an 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 this 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 with respect to each series of the Bonds 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 Tax Code, including the provisions of Section 148 of the Tax 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 relating to such Bonds, 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. Affordable Housing Projects. The City Council hereby authorizes the City Manager and the Director of Finance, or either of them, to reallocate a portion of the proceeds of the Bonds for affordable housing projects, if deemed desirable by the City Manager and the Director of Finance, or either of them.

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 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.

16. 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.

17. 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

Final Passage: March 12, 2011