

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 13, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER /s/

SUBJECT: Consideration of an Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds to Finance Various Capital Projects

ISSUE: Consideration of an ordinance to authorize the issuance of General Obligation Bonds to finance various City and School capital projects.

RECOMMENDATION: That City Council pass, on April 13, 2013, an ordinance (Attachment I) authorizing and empowering the issuance, sale and delivery of bonds up to \$63.8 million to finance various public improvements.

BACKGROUND: The proposed ordinance authorizes the issuance of up to \$63.8 million in General Obligation Bonds for FY 2013 and FY 2014 capital projects. This issuance for City capital projects would be consistent with the FY 2013 Approved Capital Improvement Program (CIP) (FY 2013 – 2022 Approved Capital Improvement Program and FY 2014 Proposed Capital Improvement Program) (CIP) (FY 2014 – 2023 Proposed Capital Improvement Program). The 2013 Approved borrowing is primarily for the construction and remodeling of Jefferson-Houston Elementary School and for fire apparatus, while 2014 represents the current proposed 2014 financing plan. This is an estimate of the maximum authority that the City may need based on borrowing outlined in the budget. The actual amount of bonds the City issues will depend on the City's cash needs as well as interest rate conditions in the marketplace.

**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 "Schools").	\$43,000,000
<u>City Parks and 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").	\$11,275,000
<u>Traffic Improvements</u> Maintenance and upgrade of the City's Traffic control (includes projects contained in the capital improvement program under "Public Transportation and Traffic Control," and including, without limitation, payment of the City's share of certain Washington Metropolitan Area Transit Authority (i.e., "METRO") capital improvements).	\$6,775,000
<u>Infrastructure</u> 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," "Stormwater Management" and "Sanitary Sewers").	\$2,056,000
<u>Fire Department Vehicles & Apparatus</u> Acquisition of Fire Department vehicles and apparatus contained in the capital improvement program under "Community Development"	\$694,000
Total	\$63,800,000

Proposed Structure of the Bonds: As is the City's practice, the contemplated \$63.8 million bond issue for FY 2013 and FY 2014 will be issued as full faith and credit general obligation bonds. They will be serial bonds with an aggressive repayment schedule of planned annual fixed repayment amounts over the life of the bonds, include a 10-year call provision, and be competitively bid on the internet. It is expected that bonds will be rated Aaa with a negative outlook by Moody's Investors Service and AAA by Standard & Poor's. Moody's placed a negative outlook on the City's and most of Northern Virginia because of our indirect linkage to the U.S. rating down grade in 2011.

The bonds are expected to be issued as tax-exempt, fixed-rate bonds. Given the current market demands for AAA/Aaa-rated municipal bonds and given favorable market conditions that have seen the municipal bond market outperforming other markets, the City should see the True Interest Cost (TIC) for the City and School bonds at or around three percent to 3.3 percent TIC range despite the negative outlook assigned by Moody's. To date, the negative outlook has not had any impact on the City's interest rate. Our rates for our 2012 issuance were some of the best rates the City has received. This compares to a 3.18 percent TIC for the July 2011 City bond issue.

FISCAL IMPACT: The fiscal impact of the \$63.8 million bond issuance for City and School purposes will be \$2.7 million in estimated principal and interest payments in FY 2014 and is included in the FY 2014 Proposal.

ATTACHMENT:

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

STAFF:

Mark Jinks, Deputy City Manager
Tom Gates, Deputy City Manager/Chief of Staff
Laura B. Triggs, Chief Financial Officer