

Obligation Bonds for FY 2016 capital projects. This issuance for City and Alexandria City Public Schools (ACPS) capital projects is consistent with the FY 2015 Approved Capital Improvement Program (CIP) (FY 2015 - 2024 Approved Capital Improvement Program and FY 2016 Proposed Capital Improvement Program (CIP) (FY 2016 - 2025 Approved Capital Improvement Program). While the FY 2016 - FY 2025 CIP will not be adopted until May 7, authorization of this bond sale is requested at this time so staff work on bond sale can commence. If the adopted FY 2016 debt service budget or CIP is less than proposed, the bond sale amount will be adjusted accordingly. A June 2015 bond sale is contemplated.

This is an estimate of the maximum authority that the City may need based on borrowing outlined in the budget. The FY 2016 Proposed Capital Improvement Plan includes \$62.9 million in General Obligation borrowing, however the financing plan reflects projected cash flow needs of \$23.9 million in FY 2016. Before beginning the procurement process for any capital project, it is the City's practice to have full budget authority related to the proposed contract. By managing cash flow and not borrowing funds until they are needed, the City is able to lower its debt service costs. An additional \$5.1 million is included in this authorization to provide some flexibility to manage project funding timetables. The actual amount of bonds the City issues will depend on the City's cash needs at the time of issuance, as well as interest rate conditions in the marketplace.

DISCUSSION: The major categories and estimated maximum amounts covered by this bond authorization are described below:

- Schools - \$4.8 million

Construction, remodeling and repairing of school buildings and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Alexandria City Public Schools").

- City Parks and Buildings - \$9.6 million

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", "Public Buildings", and "Information Technology Plan").

- Transportation Improvements - \$7.5 million

Maintenance and upgrade of the City's transportation infrastructure, transit infrastructure, and traffic control infrastructure (includes projects contained in the capital improvement program under "Transportation & Transit Infrastructure," and including, without limitation, payment of the City's share of certain Washington Metropolitan Area Transit Authority (i.e., "METRO") capital improvements).

- Infrastructure - \$0.75 million

Construction, renovation and improvement of City storm sewers and waterways and acquisition of necessary equipment (includes projects contained in the capital improvement program under "Community Development," and "Storm water Management").

- Fire Department Vehicles and Apparatus - \$1.2 million

Acquisition of Fire Department vehicles and apparatus contained in the capital improvement program under "Community Development."

- Additional Authorization to Provide Flexibility - \$5.1 million

This additional amount provides a small margin of authorization for potential or changes to any of the specific categories described above.

Proposed Structure of the Bonds: As is the City's practice, the contemplated \$29.0 million bond issue for FY 2016 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. Alexandria was the first local government in Virginia to receive bids over the internet. This is now the generally accepted practice in the bond industry. It is expected that bonds will be rated Aaa by Moody's Investor's Service and AAA by Standard and Poor's. 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 a 3.0 percent TIC. Our rate for our 2014 issuance was 2.72 percent.

FISCAL IMPACT: The fiscal impact of the planned \$23.9 million bond issuance for City and School purposes will be approximately \$2.1 million in debt service payments in FY 2016 and is included in the FY 2016 Proposed Budget. This amount includes an estimated \$0.4 million in debt service paid on behalf of the schools. If the amount of debt issued is increased to the maximum of \$29 million there could be a small increase in the estimated payments over the life of the bonds. If City Council were to elect not to borrow the funds for these projects in FY 2016, either the projects would be cancelled or other projects would need to be cancelled to continue these projects with existing resources.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of General Obligation Capital Improvement Bonds in the Estimated Maximum Amount of \$29,000,000; and Providing for Reimbursement to the City of Alexandria from Bond Proceeds

Attachment 3 - Exhibit A to Ordinance (2015a Bond Form)

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