

Obligation Bonds for FY 2016 and FY 2017 capital projects, as well as projects approved in FY 2016 but for which debt has not been issued based on cash flow needs. This issuance for City and Alexandria City Public Schools (ACPS) capital projects is consistent with the FY 2016 Approved Capital Improvement Program (CIP) (FY 2016 - FY 2025 Approved Capital Improvement Program and FY 2017 Proposed Capital Improvement Program (CIP)

(FY 2017 - FY 2026 Proposed Capital Improvement Program). While the FY 2017 - FY 2026 CIP will not be adopted until May 5, authorization of this bond sale is requested at this time so staff work on bond sale can commence for a contemplated June 2016 bond sale. If the adopted FY 2017 debt service budget or CIP is less than proposed, the bond sale amount will be adjusted accordingly. Any increase could be adjusted in a future ordinance if needed.

This authorization is an estimate of the maximum authority that the City may need based on borrowing outlined in the budget. The FY 2017 Proposed Capital Improvement Plan includes \$107.4 million in General Obligation borrowing for City and Schools capital projects, however the financing plan reflects projected cash flow needs of \$80.5 million in FY 2016. By managing cash flow and not borrowing funds until they are needed, the City is able to lower its debt service costs. The actual amount of bonds the City issues will depend on the projects' cash needs at the time of issuance, as well as interest rate conditions in the marketplace, but will not be higher than the amount authorized. The borrowing includes \$19.1 for projects approved in FY 2016 for which cash was not planned until FY 2017 and \$61.4 million for the portion of the proposed FY 2017 capital projects expected have expenditures in FY 2017. We would expect to borrow the remainder of FY 2017 projects in FY 2018 to more closely align actual cash needs with project expenditures.

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

- Schools - \$41.1 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 - \$31.8 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 - \$3.5 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 - \$2.7 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 - \$1.4 million

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

Proposed Structure of the Bonds: As is the City’s practice, the contemplated bond issue (or issues depending on cash flow timing) for FY 2017 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. With these provisions and the City’s solid financial management practices, 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. The City’s rate for our 2015 issuance was 2.75 percent.

FISCAL IMPACT: The fiscal impact of the planned \$80.5 million bond issuance for City and School purposes will be approximately \$4.8 million in debt service payments beginning in FY 2017, \$6.2 million in FY 2018 and \$7.4 million in FY 2019. This payment includes an estimated \$2.5 million in debt service paid on behalf of the schools. The planned \$80.5 million issuance will have scaled-in principal payments over a three-year period, with FY 2017 having a principal payment of \$1.4 million (compared to \$4.2 million in FY 2019). If City Council were to elect not to borrow the funds for these projects in FY 2017, 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 \$80,535,000

Attachment 3 - Exhibit A to Ordinance (2016a Bond Form)

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