



finance various public improvements.

**BACKGROUND:** The proposed ordinance authorizes the issuance, at one time or from time to time, of up to \$238.8 million in General Obligation bonds to finance capital projects approved in the FY 2022 through FY 2025 Capital Improvement Program (CIP) and \$32.8 million in General Obligation bonds to fund the additional cost associated with the Landmark Redevelopment project, as well as General Obligation bonds to refund outstanding debt of the City for debt service savings if such an opportunity arises. Staff anticipates that the first issuance of such bonds will occur in Fall 2024, and the actual amount of bonds the City issues at that time will depend on project timing and cash flow and is anticipated to be for a portion of the total authorization. By managing cash flow and not borrowing funds until they are needed, the City is able to lower its debt service costs. However, including the full authorization of bond issuance at this time helps more clearly align the bond authority approval with the approval of the associated projects. Aligning the authorization to the budget process helps ensure that project planning and contracting can get underway without waiting for a separate bond approval for projects Council has already approved during the budget process. The authorization also allows the City the flexibility to reimburse expenditures as needed for such projects if the City finds it prudent to wait to issue bonds to take advantage of better market conditions.

This authorization is an estimate of the maximum authority that the City may need based on approved borrowing outlined in the CIP. The FY 2025 CIP includes \$238.8 million in General Obligation borrowing for City and Schools capital projects. This authorization request also includes an additional \$32.8 million in General Obligation bonds for the Landmark Redevelopment Project in accordance with the planned timeline. The actual amount and timing of bond sales will depend on the projects' cash needs at the time of issuance, as well as interest rate conditions in the marketplace, but will not, in the aggregate, be higher than the amount authorized. In April 2023 the City secured a revolving line of credit to help reduce long-term borrowing costs until such time as funds are needed.

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

- Schools and City Parks and Buildings - \$200.575 million

Construction, remodeling, renovation and repairing of existing and new City and school buildings and park facilities and acquisition of necessary land and equipment (includes projects contained in the capital improvement program under "Alexandria City Public Schools," "Recreation and Parks," Public Buildings," and "Information Technology Plan").

- Transportation Improvements - \$23.780 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 - \$14.450 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").

- Landmark Redevelopment - \$32.750 million

Improvements and capitalized interest in connection with the development and redevelopment of a regional commercial and retail center known as Landmark Mall.

**Proposed Structure of the Bonds:** As is the City's practice, the contemplated bond issue (or issues depending on cash flow timing) will be issued as full faith and credit general obligation bonds. They are expected to 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 may currently expect a True Interest Cost (TIC) for the City and School bonds at or around a 3.5 to 4.0 percent.

**FISCAL IMPACT:** Total planned debt service in FY 2025 is \$114.2 million, which is an increase of \$18.4 million compared to FY 2024. This assumes that the City will borrow approximately \$128 million in the fall of 2024.

**ATTACHMENTS:**

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of General Obligation Capital Improvement Bonds in the Estimated Maximum Amount of \$271.6 million

Attachment 3 - Exhibit A to Ordinance (2024 Bond Form)

**STAFF:**

Morgan Routt, Director, Management and Budget

Arthur Wicks, Capital Improvement Program Manager, OMB