



Legislation Details (With Text)

File #: 23-1161 **Name:** GO Debt Bond Issuance
Type: Ordinance **Status:** Agenda Ready
File created: 5/15/2023 **In control:** City Council Legislative Meeting
On agenda: 6/13/2023 **Final action:**
Title: Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds to Finance City and Schools Capital Projects and to Refund Certain Outstanding Bonds of the City.
Sponsors:
Indexes:
Code sections:
Attachments: 1. 23-1161_Att 1 - Cover Bond Authorization 2023 ordinance cover, 2. 23-1161_Att 2 - Ordinance Bond Authorization, 3. 23-1161_Att 3 - Form of Bond

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 6, 2023
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THROUGH: JAMES F. PARAJON, CITY MANAGER /s/
FROM: KENDEL TAYLOR, INTERIM DEPUTY CITY MANAGER

DOCKET TITLE:
Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds to Finance City and Schools Capital Projects and to Refund Certain Outstanding Bonds of the City.

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 first reading on Tuesday, June 13, and schedule for second reading, public hearing, and final passage on Saturday, June 17; an ordinance (Attachment 1) authorizing and empowering the issuance, sale and delivery of general obligation bonds up to \$196.0 million to

finance various public improvements.

BACKGROUND: The proposed ordinance authorizes the issuance, at one time or from time to time, of up to \$153.4 million in General Obligation Bonds to finance capital projects approved in the FY 2024 Capital Improvement Program (CIP) and \$42.6 million 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 as opportunity arises. Staff anticipates that the first issuance of such bonds will occur in Fall 2023, 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 2024 CIP includes \$153.4 million in General Obligation borrowing for City and Schools capital projects. This authorization request also includes an additional \$42.6 million in 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 - \$72.8 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 - \$20.5 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 - \$60.1 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 - \$42.6 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 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 recent issuances has ranged from 1.5 to 3.5 percent but increases in interest rates by the Federal Reserve would likely increase the interest rate on these bonds.

FISCAL IMPACT: Assuming a relatively even issuance of \$65 million per year, the initial annual increase in debt service is anticipated to be approximately \$6.0 million as a result of this authorization and will impact the FY 2025 Approved Budget. Total planned debt service in FY 2024 is \$95.8 million.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of General Obligation Capital Improvement Bonds in the Estimated Maximum Amount of \$196.0 million

Attachment 3 - Exhibit A to Ordinance (2023 Bond Form)

STAFF:

Morgan Routt, Director, Management and Budget

Arthur Wicks, Capital Improvement Program Manager, OMB