



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** APRIL 4, 2014

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

**DOCKET TITLE:**

Public Hearing, Second Reading and Final Passage of an Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds to Finance Various Capital Projects. [ROLL-CALL VOTE]

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**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 12, 2014 an ordinance (Attachment 1) authorizing and empowering the issuance, sale and delivery of bonds up to \$36.0 million to finance various public improvements.

**BACKGROUND:** The proposed ordinance authorizes the issuance of up to \$36.0 million in General Obligation Bonds for FY 2013 and FY 2015 capital projects. This issuance for City and Alexandria City Public Schools (ACPS) capital projects is consistent with the FY 2013 Approved Capital Improvement Program (CIP) (FY 2013 - 2022 Approved Capital Improvement Program and FY 2015 Proposed Capital Improvement Program (CIP) (FY 2015 - 2024 Proposed Capital Improvement Program, page 5-3) and FY 2015 Proposed Capital Improvement Program (CIP) (FY 2015 - 2024 Proposed Capital Improvement Program, page 5-3). Borrowing associated with the FY 2013 Approved CIP is to complete funding for the new ACPS Jefferson-Houston K-8 facility.

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.

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

- Schools - \$17.8 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 - \$11.0 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 - \$3.6 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 - \$3.2 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 - \$0.4 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 \$36.0 million bond issue for FY 2013 and FY 2015 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 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 3.0 percent to 3.3 percent TIC range. Our rate for our 2013 issuance was 3.26 percent.

**FISCAL IMPACT:** The fiscal impact of the \$36.0 million bond issuance for City School purposes will be \$2.52 million in estimated principal and interest payments in FY 2015 and is included in the FY 2015 Proposed Budget. This amount includes an estimated \$1.25 million in debt service paid on behalf of ACPS.

**ATTACHMENTS:**

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of General Obligation Capital Improvement Bonds in the Estimated Maximum Amount of \$35,997,000; and Providing for Reimbursement to the City of Alexandria from Bond Proceeds

Attachment 3 - Exhibit A to Ordinance (2014B Bond Form)

**STAFF:**

Laura B. Triggs, Chief Financial Officer

Nelsie Smith, Director, Management and Budget

Christopher Bever, Acting Assistant Budget Director