



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 2, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

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 Various Capital Projects.

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 May 8, and schedule for second reading, public hearing, and final passage on Saturday, May 12; an ordinance (Attachment 1) authorizing and empowering the issuance, sale and delivery of general obligation bonds up to \$69.0 million to finance various public improvements.

BACKGROUND: The proposed ordinance authorizes the issuance of up to \$69.0 million in tax exempt General Obligation Bonds for FY 2019 capital projects. The issuance is consistent with the FY 2019 Approved Capital Improvement Program (CIP) (FY 2019 to FY 2028 Proposed Capital Improvement Program). The FY 2019 to FY 2028 CIP is anticipated to be adopted on May 3, and the amounts here assume the decisions reflected in the preliminary add-delete session and through the technical adjustments. Authorization of this bond sale is requested at this time so staff work on the bond sale can commence for a contemplated July 2018 bond sale. If the adopted FY 2019 debt service budget or CIP is less than currently assumed, the bond sale amount will be adjusted accordingly. Any bond amount increase could be adjusted in a future ordinance for a future sale 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 2019 Proposed CIP includes a net of \$69.0 million in General Obligation borrowing for City and Schools capital projects when setting aside the Bond Resource account of \$40.0 million set aside largely for City and DCHS Colocation Investment. Previously Council authorized issuance of Bond Anticipation Notes that would cover the Reserve Account expenses if needed in FY 2019 with conversion to

long-term general obligation bond financing in FY 2020. 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.

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

- Schools - \$12.9 million

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

- City Parks and Buildings - \$8.7 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 - \$21.2 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 - \$24.5 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 - \$1.7 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 2019 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 majority of 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 2017 issuance was 2.50 percent, but the Federal Reserve has raised interest rates since last year would likely increase the interest rate on these bonds.

FISCAL IMPACT: The fiscal impact of the planned \$69.0 million tax exempt bond issuance for City and School purposes will be approximately \$2.5 million in debt service payments beginning in FY 2019 and up to \$10.2 million in FY 2020. The FY 2019 payment includes an estimated \$0.7 million in new debt service paid on behalf of the schools.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of General Obligation Capital Improvement
Bonds in the Estimated Maximum Amount of \$69.0 million

Attachment 3 - Exhibit A to Ordinance (2018a Bond Form)

STAFF:

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