



## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of June 13, 2009**

**DATE:** May 28, 2009

**SUBJECT:** Sale of General Obligation Public Improvement and Refunding Bonds

**C. M. RECOMMENDATION:**

Adopt, by roll call vote, the attached resolution (Attachment 1) authorizing the sale of General Obligation Public Improvement and Refunding Bonds in an amount not to exceed \$139.2\* million.

**ISSUES:** Should the County issue long-term bonds to finance County and Schools capital projects and to potentially refund outstanding bonds to achieve debt service savings?

**SUMMARY:** The County Manager is asking the County Board to authorize the issuance of bonds in the maximum amount of \$139.2\* million, including the sale of:

- \$14.9\* million in General Obligation Public Improvement Bonds for the County,
- \$24.4\* million in General Obligation Public Improvement Bonds for the Schools, and
- Up to \$100.0\* million in General Obligation Refunding Bonds to redeem previously issued bonds.

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(\*) Rounded numbers

County Manager: \_\_\_\_\_

County Attorney: \_\_\_\_\_

Staff: Mark Schwartz, Director, Department of Management & Finance  
Michelle Cowan, Assistant Director, Department of Management & Finance

## SUMMARY OF NEW MONEY BONDS BY BOND REFERENDA

### 2004 Bond Referenda

Transportation & Community Infrastructure	\$2,817,322
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### 2006 Bond Referenda

Local Parks and Recreation	\$2,050,000
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Metro and Transportation Projects	8,000,000
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Community Infrastructure	<u>2,000,000</u>
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Total 2006	\$12,050,000
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### 2008 Bond Referenda

Public Schools Projects	\$24,350,000
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<b>TOTAL NEW MONEY BONDS</b>	<b>\$39,217,322</b>
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**BACKGROUND:** The County has historically requested authorization from voters to finance capital projects with bonds on a biennial basis, usually in November. Dependent on project cashflows, the County issues the voter-authorized bonds as needed, with issuances typically occurring on an annual basis in spring or summer.

In addition to the issuance of new money bonds, the County may refinance a portion of its outstanding bond issues to achieve debt service savings. Authorization is requested to issue refunding bonds in the maximum amount of \$100.0\* million. In compliance with Board policy reaffirmed in July 2008, the aggregate net present value (NPV) savings on any refunding will be at least 3 percent of the refunded principal amount. Under current market conditions, the County could refund approximately \$24\* million and achieve 5.6 percent NPV savings. The “not to exceed” amount of \$100.0 million provides flexibility so that if interest rates decline by 50 basis points from current market conditions, the County would be able to react quickly to take maximum advantage of refunding opportunities. As has been the County’s practice historically, the \$100 million refunding authorization would be valid through the end of the fiscal year, or June 30, 2010. If market conditions do not warrant a refunding at the time of the new money bond sale, the County may undertake a separate refunding bond sale when the savings meet the County’s refunding criteria.

**DISCUSSION:** In 2004, 2006, and 2008, Arlington voters approved the following 13 bond referenda for capital improvement projects. These referenda included the following categories and amounts:

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(\*) Rounded numbers

AUTHORIZED BONDS, STATUS, AND NEW MONEY BONDS *			
(\$ in millions)			
2004 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2009 ISSUANCE
Local Parks & Recreation	\$75.395	\$56.854	\$ -
Transportation & Community Infrastructure			
Community Conservation	13.025	8.008	2.817
Transportation and Pedestrian Initiatives	10.195	10.195	-
Public Facilities	9.769	9.769	-
Storm Drainage	2.955	2.955	-
Metro	18.536	18.536	-
Arlington Public School Projects	78.128	78.128	-
<b>Total</b>	<b>\$208.003</b>	<b>\$184.445</b>	<b>\$2.817</b>
2006 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2009 ISSUANCE
Local Parks and Recreation	\$ 35.550	\$ 6.000	\$ 2.050
Metro and Transportation Projects	31.500	4.838	8.000
Community Infrastructure	27.300	14.800	2.000
Utilities	79.000	79.000	-
Arlington Public Schools Projects	33.712	33.712	-
<b>TOTAL</b>	<b>\$ 207.062</b>	<b>\$138.350</b>	<b>\$12.050</b>
2008 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2009 ISSUANCE
Metro	\$ 10.000	-	\$ -
Community Infrastructure	10.800	-	-
Utilities	50.000	-	-
Arlington Public Schools Projects	99.425	-	24.350
<b>TOTAL</b>	<b>\$170.225</b>	<b>-</b>	<b>\$24.350</b>
<b>TOTAL NEW MONEY BONDS</b>			<b>\$39.217</b>

**2004 Voter Authorized Bonds:** Of the \$208.0\* million authorized by the voters in 2004, authorization to issue a maximum amount of \$2.8\* million is recommended at this time. This includes \$2.0\* million for Neighborhood Conservation and \$0.8 million related to the planned acquisition of a parcel for the Nauck Town Center project. After the July 2009 issuance, approximately \$20.741\* million will remain unissued from the 2004 voter authorization, primarily for Long Bridge Park and for commercial revitalization.

(\*) Rounded numbers

**2006 Voter Authorized Bonds:** Of the \$207.1\* million authorized by the voters in 2006, authorization to issue a maximum amount of \$12.1\* million is recommended at this time. This includes:

- \$2.050\* million for Parks & Recreation, including funding Fairlington Community Center Phase 2 and other parks improvements and Washington-Lee pool improvements;
- \$8.0\* million for contribution to Metro Matters capital improvement program; and
- \$2.0\* million for Community Infrastructure projects including Neighborhood Conservation.

After the July 2009 issuance, approximately \$56.7\* million will remain unissued from the 2006 voter authorization.

**2008 Voter Authorized Bonds:** Of the \$170.2\* million authorized by the voters in 2008, authorization to issue a maximum amount of \$24.350\* million is recommended at this time. This includes funding for Yorktown construction and design of Career Center and Wakefield improvements. After the July 2009 issuance, approximately \$145.9\* million will remain unissued from the 2008 voter authorization.

**Sale To Arlington & Virginia Investors:** The County is pursuing an innovative approach to its bond sale this year by giving Arlington and Virginia investors first priority to buy the County's bonds. This approach will allow the County to diversify its investor base, which is particularly valuable during volatile market conditions. Historically, the County's bonds have been largely placed with institutional investors (such as bond funds). In contrast to institutional investors, retail buyers typically accept lower yields and are less sensitive to early redemption provisions. Other large issuers, including some triple-A's, have successfully used this approach, including the States of Delaware and Maryland. Other issuers have found that the primary benefit of this strategy has been diversification of the investor base and the approach generated neither significant costs nor significant savings.

To implement this strategy, the County will engage a team of underwriting firms. Working with the County, these firms will lead the sales effort to Arlington and Virginia investors, which could include placing newspaper ads, posting information on the County's website, direct e-mails to retail brokerage offices, and other outreach as needed. All marketing materials will be reviewed by underwriters' counsel to ensure that it meets appropriate securities laws. It should be noted that the County will not be receiving orders for bonds directly; rather all orders will be placed through the team of underwriting firms and County staff will ensure that appropriate contact information for these firms is available to the public. In addition, the minimum denomination for purchase will be \$5,000, consistent with industry practice.

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(\*) Rounded numbers

The underwriting team will conduct a retail sale period for one to two days. As orders from retail investors come in, priority will be given to Arlington residents (identified by zip code) and then other Virginia and national investors. The underwriting team will tally the amount of orders placed with retail investors, and to the degree any bonds have not been sold at the end of the retail order period, the remaining bonds will be sold via traditional competitive sale the following day.

The County recently issued a Request for Proposals for underwriting services and received 21 responses from regional and national underwriting firms. The County is currently going through the evaluation process and will be selecting a team of underwriters that will be in place through FY 2013. Several firms within this underwriting pool will be tapped to provide the retail sales services discussed above; over the four year term of the underwriting team, one or more underwriters can be tapped to provide other underwriting and / or remarketing services as needed. This will provide the County with flexibility in the event that the market conditions of the past year repeat themselves, providing us ready access to a pool of investment banking firms in the event that the competitive bond sale market experiences disruption or if a firm that currently provides services to the County is unable to provide them going forward.

**Refunding:** As noted earlier, the County is evaluating refinancing a portion of its outstanding bonds to achieve debt service savings. Potential refunding candidates include maturities of the Series 1998, 2001, 2005, 2006, 2007 and 2008 issues.

Depending on market conditions at the time of the new money bond sale in July, the refunding bonds may be combined with the new money bonds. Alternatively, the attached resolution asks for the authority to issue the refunding bonds as a separate issue and/or at a separate time to have the ongoing flexibility to quickly react to market conditions. The County previously used this approach in 2004 with two separate issuances – one for new money bonds, and one for refunding bonds.

**Authorization Resolution:** The attached resolution (Attachment 1) authorizes the County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance to issue one or more Preliminary Official Statements and to receive competitive bids for the sale of general public improvement and refunding bonds in the maximum par amount of \$139.2\* million. The new money portion of the bonds is expected to be sold in early July 2009 and refunding bonds could potentially be sold at the same time. For bonds sold via a competitive sale (after the retail order period is complete), the County Manager or his designee would receive the results of the bids and award the bonds to the responsive bidder who bids the lowest true interest cost. For bonds sold via the pre-selected underwriting team, the County Manager or his designee, in consultation with the County's Financial Advisor, would be authorized to negotiate the appropriate terms and rates on the bonds, subject to the parameters set forth in the Resolution.

**Bond Structure:** The proposed \$39.2\* million new money portion of the bonds will be repaid over 20 years; the term of the refunding bonds will generally match the term of the original bonds. The \$14.9\* million in County bonds, consistent with prior practice, will be amortized on a

two-year step-up schedule of principal repayment (i.e. 40 percent in year 1, 80 percent year 2, and equal payments thereafter).

The bonds also will carry an optional redemption feature, or call provision, that will allow the bonds to be retired early at the option of the County at any time commencing no later than ten years from issuance. The retail portion of the bonds may have a call provision shorter than ten years.

**Other Agreements:** In conjunction with this bond issue the County also will execute a continuing disclosure agreement as required by the Securities and Exchange Commission. This agreement obligates the County to provide certain annual financial and operating information to the financial market as long as the bonds are outstanding. In the event refunding bonds are issued, the County will execute an escrow agreement that will provide for the redemption of the outstanding bonds selected to be refunded. For bonds sold via the pre-selected underwriting team, the County will execute a bond purchase agreement that outlines the terms of that sale, including interest rates and price.

**FISCAL IMPACT:** A July 2009 closing date is planned to meet project scheduling and cash needs. The County’s previous general obligation bond issues have been rated Aaa/AAA/AAA by Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings, respectively, and this issue is expected to attract very competitive bids due to the County’s high credit ratings. Based upon current market conditions, staff estimates that the County’s bonds should attract interest rates in the range of 3.50 percent to 4.0 percent.

The proposed \$39.2\* million new money bond issuance is estimated to increase annual debt service as shown in the following table. The estimated debt service is within the amount included in the adopted FY 2010 budget for Arlington County.

**ESTIMATED IMPACT OF \$39.2\* MILLION NEW MONEY GENERAL OBLIGATION  
BOND ISSUE ON DEBT SERVICE  
(\$ in millions\*)**

	Existing Debt Service	Estimated Series 2009 - FY 2010 Debt Service	Estimated FY 2010 New Debt Service <sup>(1)</sup>
Arlington County	\$50.9	\$1.1	\$52.0
Arlington Public Schools	31.7	2.2	33.9
<b>TOTAL</b>	\$82.5	\$3.3	\$85.9

(1) Excludes impact of refunding. Assumes two payments in 2010 which may change based on final bond payment dates. Does not include projected debt service on future financings anticipated in FY 2010 for Buckingham Village 1 acquisition, Metro Matters and Fire Station 3. Excludes Utilities bonds which are supported by the Utilities Fund and debt issued for Buckingham Village 3 supported by AHIF.

(\*) Rounded numbers

**ATTACHMENT 1**

**A RESOLUTION OF THE COUNTY BOARD OF  
ARLINGTON COUNTY, VIRGINIA  
AUTHORIZING THE ISSUANCE AND SALE OF  
GENERAL OBLIGATION PUBLIC IMPROVEMENT AND REFUNDING BONDS,  
SERIES 2009**

WHEREAS, the County Board adopted resolutions on July 10, 2004, requesting the Circuit Court of Arlington County to order elections to be held on November 2, 2004, on the questions of contracting debt and issuing bonds for local parks and recreation, transportation and community infrastructure, Metro facilities, and public school projects (the "2004 Projects") in an aggregate principal amount not to exceed \$208,003,000.

WHEREAS, at referenda held on November 2, 2004 (the "2004 Elections"), the voters of the County approved the issuance of the County's general obligation bonds for the 2004 Projects.

WHEREAS, the Circuit Court of the County entered an order on February 9, 2005 confirming the favorable vote of the voters as expressed at the 2004 Elections.

WHEREAS, a portion of the bonds authorized at the 2004 Elections have been issued in the amount of \$184,444,528.

WHEREAS, the County Board adopted resolutions on July 11, 2006, requesting the Circuit Court of Arlington County to order elections to be held on November 7, 2006, on the questions of contracting debt and issuing bonds for local parks and recreation, Metro and transportation projects, community infrastructure, utilities, and public school projects (the "2006 Projects") in an aggregate principal amount not to exceed \$207,062,000.

WHEREAS, at referenda held on November 7, 2006 (the "2006 Elections"), the voters of the County approved the issuance of the County's general obligation bonds for the 2006 Projects.

WHEREAS, the Circuit Court of the County entered an order on January 11, 2007 confirming the favorable vote of the voters as expressed at the 2006 Elections.

WHEREAS, a portion of the bonds authorized at the 2006 Elections have been issued in the amount of \$138,350,572.

WHEREAS, the County Board adopted resolutions on July 22, 2008, requesting the Circuit Court of Arlington County to order elections to be held on November 4, 2008, on the questions of contracting debt and issuing bonds for Metro, community infrastructure, public school projects and utilities (the "2008 Projects") in an aggregate principal amount not to exceed \$170,225,000.

WHEREAS, at referenda held on November 4, 2008 (the "2008 Elections"), the voters of the County approved the issuance of the County's general obligation bonds for the 2008 Projects.

WHEREAS, the Circuit Court of the County entered an order on December 11, 2008 confirming the favorable vote of the voters as expressed at the 2008 Elections.

WHEREAS, none of the bonds authorized at the 2008 Elections have been issued.

WHEREAS, the County Board has now determined that it is advisable to issue general obligation bonds in the aggregate principal amount of \$39,217,322, consisting of (i) a portion of the unissued bonds authorized by the 2004 Elections in the amount of \$2,817,322, (ii) a portion of the unissued bonds authorized by the 2006 Elections in the amount of \$12,050,000 and (iii) a portion of the unissued bonds authorized by the 2008 Elections in the amount of \$24,350,000 (collectively, the "New Money Bonds").

WHEREAS, the County has issued the following general obligation bonds (the "Prior Bonds"): General Obligation Public Improvement and Refunding Bonds, Series 1998; General Obligation Public Improvement Bonds, Series 2001; General Obligation Public Improvement Bonds, Series 2002; General Obligation Public Improvement and Refunding Bonds, Series 2003; General Obligation Public Improvement and Refunding Bonds, Series 2004; General Obligation

Public Improvement Bonds, Series 2005, General Obligation Public Improvement and Refunding Bonds, Series 2006, General Obligation Public Improvement Bonds, Series 2007, and the General Obligation Public Improvement Bonds, Series 2008.

WHEREAS, the County Board proposes to authorize the issuance of general obligation refunding bonds (the "Refunding Bonds") to refund all or a portion of the Prior Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA:

1. Authorization of Bonds and Use of Proceeds. The County Board hereby determines that it is advisable to contract a debt and to issue and sell, in one or more series, the New Money Bonds in the maximum aggregate principal amount of \$39,217,322 and the Refunding Bonds in the maximum aggregate principal amount of \$100,000,000 (the New Money Bonds and the Refunding Bonds referred to herein as the "Bonds").

The proceeds from the issuance and sale of the New Money Bonds shall be used to (a) pay a portion of the costs of issuing the Bonds and (b) pay the costs of certain of the 2004 Projects, the 2006 Projects and the 2008 Projects in the amounts shown below:

<u>2004 Elections</u>	
Transportation & Community Infrastructure	\$ 2,817,322
 <u>2006 Elections</u>	
Local Parks and Recreation	\$2,050,000
Metro and Transportation Projects	8,000,000
Community Infrastructure	2,000,000
 <u>2008 Elections</u>	
Public School Projects	\$24,350,000
TOTAL:	<u>\$ 39,217,322</u>

The proceeds from the issuance and sale of the Refunding Bonds shall be used to pay the costs of issuing the Refunding Bonds and to refund all or a portion of the Prior Bonds. The authorization of the issuance and sale of the Refunding Bonds in an original aggregate principal amount not to exceed \$100,000,000 contained in this Section 1 shall expire on June 30, 2010.

2. Pledge of Full Faith and Credit. The full faith and credit of the County are hereby irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The County Board shall levy an annual ad valorem tax upon all property in the County, subject to local taxation, sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due for payment unless other funds are lawfully available and appropriated for the timely payment thereof.

3. Details and Sale of Bonds. The Director of the Department of Management and Finance or his designee is authorized to determine and approve the final details of the Bonds, including without limitations, the aggregate principal amount of the Bonds, the series designation of the Bonds, the maturity date of the Bonds, the redemption provisions of the Bonds, the sale price of the Bonds, the interest rates and interest rate provisions on the Bonds, and any elections under the federal tax code; provided that (i) the maximum aggregate principal amount of New Money Bonds shall not exceed \$39,217,322, (ii) the maximum aggregate principal amount of Refunding Bonds shall not exceed \$100,000,000, (iii) the final maturity of the Bonds shall not be later than 21 years from the date of issuance of the Bonds, and (iv) the maximum true interest cost of any series of Bonds bearing interest at a tax-exempt fixed rate shall not exceed five and a half percent (5.5%) per annum.

The Bonds shall be issued, in one or more series, upon the terms established pursuant to this Resolution and upon such other terms as may be determined in the manner set forth in this

Resolution. The Bonds shall be issued in fully registered form, shall be dated such date as the Director of the Department of Management and Finance may approve, shall be in the denominations of \$5,000 each or whole multiples thereof, may be issued at one time or from time to time in one or more series (with appropriate series designations), and the Bonds of any series shall be numbered from R-1 upwards consecutively.

The Bonds shall be offered for sale in such manner as the County Manager or his designee may determine to be in the best interests of the County. The County Manager or his designee are authorized and directed to accept the bid or proposal for the purchase of all or a portion of the Bonds, provided such bid results in the lowest true interest cost to the County, and that the true interest cost of the Bonds does not exceed the maximum true interest cost set forth above. The County Manager reserves the right to reject any or all bids. If the County Manager or his designee determines that it is in the best interest of the County to sell all or a portion of the Bonds in a negotiated sale, then the County Manager or his designee are hereby authorized to enter into a bond purchase agreement with an underwriter or group of underwriters with demonstrated experience in underwriting municipal securities to be selected by the County Manager or his designee.

4. Redemption of Bonds. The Bonds shall be subject to optional redemption on such terms as the Director of the Department of Management and Finance may approve.

The Bonds may also be subject to mandatory sinking fund redemption at the option of the successful bidder. In such case, the successful bidder shall specify not more than three term bonds which will be required to be redeemed before maturity in the years and amounts equivalent to the corresponding principal maturities for each such year determined by the

Director of the Department of Management and Finance, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date.

5. Form of Bonds. The Bonds shall be in substantially the form attached to this Resolution as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution or subsequent resolution of the County Board. There may be endorsed on the Bonds such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

6. Book-Entry-Only Form. The Bonds shall be issued in book-entry-only form. The Bonds shall be issued in fully-registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") as registered owner of the Bonds, and immobilized in the custody of DTC. One fully registered Bond in typewritten or printed form for the principal amount of each maturity of the Bonds shall be registered to Cede & Co. Beneficial owners of the Bonds shall not receive physical delivery of the Bonds. Principal, premium, if any, and interest payments on the Bonds shall be made to DTC or its nominee as registered owner of the Bonds on the applicable payment date.

Transfer of ownership interest in the Bonds shall be made by DTC and its participants (the "Participants"), acting as nominees of the beneficial owners of the Bonds in accordance with rules specified by DTC and its Participants. The County shall notify DTC of any notice required to be given pursuant to this Resolution or the Bonds not less than fifteen (15) calendar days prior to the date upon which such notice is required to be given. The County shall also comply with the agreements set forth in the County's Letter of Representations to DTC.

Replacement Bonds (the "Replacement Bonds") shall be issued directly to beneficial owners of the Bonds rather than to DTC or its nominee but only in the event that:

- (i) DTC determines not to continue to act as securities depository for the Bonds; or
- (ii) The County has advised DTC of its determination not to use DTC as a securities depository; or
- (iii) The County has determined that it is in the best interest of the beneficial owners of the Bonds or the County not to continue the book-entry system of transfer.

Upon occurrence of the events described in (i) or (ii) above, the County shall attempt to locate another qualified securities depository. If the County fails to locate another qualified securities depository to replace DTC, the appropriate officers and agents of the County shall execute and deliver Replacement Bonds substantially in the form set forth in Exhibit A attached hereto to the Participants. In the event the County Board, in its discretion, makes the determination noted in (iii) above and has made provisions to notify the beneficial owners of the Bonds by mailing an appropriate notice to DTC, the appropriate officers and agents of the County shall execute and deliver Replacement Bonds substantially in the form set forth in Exhibit A attached hereto to any Participants requesting such Replacement Bonds. Principal of, premium, if any, and interest on the Replacement Bonds shall be payable as provided in this Resolution and in the Bonds and such Replacement Bonds will be transferable in accordance with the provisions of paragraphs 10 and 11 of this Resolution and the Bonds.

7. Appointment of Bond Registrar and Paying Agent. The County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance, or any of them, are authorized and directed to appoint a Bond Registrar and Paying Agent for the Bonds and as long as the Bonds are in book-entry-only form the County Manager, the Deputy County Managers, or the Director of the Department of Management and Finance may serve as Bond Registrar and Paying Agent.

The County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance, or any of them, may appoint a subsequent bond registrar and/or one or more paying agents for the Bonds upon giving written notice to the owners of the Bonds specifying the name and location of the principal office of any such bond registrar or paying agent.

8. Execution of Bonds. The County Manager and the Clerk of the County Board are authorized and directed to execute appropriate negotiable Bonds and to affix the seal of the County thereto and to deliver the Bonds to the purchaser or purchasers thereof upon payment of the applicable purchase price. The manner of execution and affixation of the seal may be by facsimile, provided, however, that if the signatures of the County Manager and the Clerk of the County Board are both by facsimile, the Bonds shall not be valid until signed at the foot thereof by the manual signature of the Bond Registrar.

9. CUSIP Numbers. The Bonds shall have CUSIP identification numbers printed thereon. No such number shall constitute a part of the contract evidenced by the Bond on which it is imprinted and no liability shall attach to the County, or any of its officers or agents by reason of such numbers or any use made of such numbers, including any use by the County and any

officer or agent of the County, by reason of any inaccuracy, error or omission with respect to such numbers.

10. Registration, Transfer and Exchange. Upon surrender for transfer or exchange of any Bond at the principal office of the Bond Registrar, the County shall execute and deliver and the Bond Registrar shall authenticate in the name of the transferee or transferees a new Bond or Bonds of any authorized denomination in an aggregate principal amount equal to the Bond surrendered and of the same form and maturity and bearing interest at the same rate as the Bond surrendered, subject in each case to such reasonable regulations as the County and the Bond Registrar may prescribe. All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the County and the Bond Registrar, duly executed by the registered owner or by his or her duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the County, evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution and entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

11. Charges for Exchange or Transfer. No charge shall be made for any exchange or transfer of Bonds, but the County may require payment by the registered owner of any Bond of a sum sufficient to cover any tax or other governmental charge which may be imposed with respect to the transfer or exchange of such Bond.

12. Non-Arbitrage Certificate and Tax Covenants. The County Manager and such officers and agents of the County as he may designate are authorized and directed to execute a Non-Arbitrage Certificate and Tax Covenants setting forth the expected use and investment of

the proceeds of the Bonds and containing such covenants as may be necessary in order to comply with the provisions of the Internal Revenue Code of 1986, as amended ("Code"), including the provisions of Section 148 of the Code and applicable regulations relating to "arbitrage bonds." The County Board covenants on behalf of the County that the proceeds from the issuance and sale of the Bonds will be invested and expended as set forth in the County's Non-Arbitrage Certificate and Tax Covenants, to be delivered simultaneously with the issuance and delivery of the Bonds and that the County shall comply with the other covenants and representations contained therein.

13. Refunding of Prior Bonds. If it is determined by the County Manager, the Deputy County Managers, or the Director of the Department of Management and Finance to be in the best interest of the County, the County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance, or any of them, is authorized to (a) approve the issuance of the Refunding Bonds and the aggregate principal amount of such Refunding Bonds (not to exceed the amount set forth in paragraph 1) sufficient to provide for the refunding of such maturities of the Prior Bonds as such officer or officers may determine (provided that the aggregate net present value savings as a percent of the refunded par amount shall be not less than three percent (3%)) and to pay the costs of issuing the Refunding Bonds and (b) enter into an escrow agreement with an escrow agent to be selected by the Director of the Department of Management and Finance providing for the deposit and investment of such portion of the proceeds of the Refunding Bonds to be applied to the redemption or payment of the portion of the Prior Bonds to be refunded on the earliest practicable date.

14. Disclosure Documents. The County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance, or any of them, and such officers

and agents of the County as any of them may designate are hereby authorized and directed to prepare, execute, if required, and deliver an appropriate notice of sale, preliminary official statement, official statement and such other offering or disclosure documents as may be necessary to expedite the sale of the Bonds, including such documentation as may be necessary to provide for the submission of electronic bids for the Bonds if electronic bidding is determined by such officer or officers to be advantageous. The notice of sale, preliminary official statement, official statement or other documents shall be published in such publications and distributed in such manner, including by electronic distribution, and at such times as the County Manager, or such officers and agents of the County as he may designate, shall determine. The County Manager, or such other officer or agent of the County as he may designate, is authorized and directed to deem the preliminary official statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12.

15. Continuing Disclosure. The County Manager is authorized and directed to enter into a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to assist the underwriter for the Bonds in complying with the provisions of Section (b)(5) of Securities and Exchange Commission Rule 15c2-12.

16. Further Actions. The County Manager, the Deputy County Managers, and the Director of the Department of Management and Finance, or any of them, and such officers and agents of the County as any of them may designate are authorized and directed to take such further action to improve or clarify the County's position or make adjustments to account for force majeure as they deem necessary regarding the issuance and sale of the Bonds and all actions taken by such officers and agents in connection with the issuance and sale of the Bonds are ratified and confirmed.

17. Filing of Resolution. The County Attorney is authorized and directed to file or cause to be filed a certified copy of this Resolution with the Circuit Court of Arlington County pursuant to Sections 15.2-2607 and 15.2-2641 of the Code of Virginia of 1950, as amended.

18. Effective Date. This Resolution shall take effect immediately.

EXHIBIT A

No. R-

UNITED STATES OF AMERICA  
COMMONWEALTH OF VIRGINIA

ARLINGTON COUNTY

GENERAL OBLIGATION PUBLIC IMPROVEMENT [AND REFUNDING] BOND  
SERIES 2009

MATURITY DATE

INTEREST RATE

CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

ARLINGTON COUNTY, VIRGINIA ("County"), for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or legal representative, the principal amount stated above on the maturity date set forth above and to pay interest on the principal amount of this Bond at the rate specified above per annum, payable semiannually on \_\_\_\_\_ and \_\_\_\_\_ beginning on \_\_\_\_\_, 20\_\_\_. This Bond shall bear interest (a) from \_\_\_\_\_, 20\_\_\_, if this Bond is authenticated before \_\_\_\_\_, 2008 or (b) otherwise from the \_\_\_\_\_ or \_\_\_\_\_ that is, or immediately precedes the date on which this Bond is authenticated; provided that, if at the time of authentication of this Bond, interest on this Bond is in default, this Bond shall bear interest from the date to which interest has been paid. Both principal of and interest on this Bond are payable in lawful money of the United States of America. The principal of this Bond is payable upon presentation and surrender hereof at the office of the Director of the Department of Management and Finance, as Bond Registrar and Paying Agent ("Bond Registrar"). Interest on this Bond is payable by check or draft mailed to the registered owner hereof at its address as it appears on the registration books maintained by the Bond Registrar without presentation of this Bond; provided that as long as Cede & Co. is the registered owner of this Bond, interest shall be paid by wire transfer. All interest payments shall be made to the registered owner as it appears on the registration books kept by the Bond Registrar on the first day of the month in which each interest payment date occurs.

This Bond has been duly authorized by the County Board of the County and is issued for the purpose of: (i) financing the costs of various public improvements for the County; (ii) refunding certain of the County's outstanding bonds; and (iii) paying the costs of issuance of the Bonds. The full faith and credit of the County are irrevocably pledged for the payment of the principal of, premium, if any, and interest on this Bond in accordance with its terms.

This Bond is one of a series of \$\_\_\_\_\_ General Obligation Public Improvement [and Refunding] Bonds, Series 2009 of the County, ("Bonds") of like date and tenor, except as to

number, denomination, rate of interest and maturity, issued under the authority of and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended, the majority vote of the qualified voters of the County voting at elections held on November 2, 2004, November 7, 2006, and November 4, 2008, respectively, and a resolution adopted by the County Board on June 16, 2009 (the "Resolution").

The Bonds maturing on or before \_\_\_\_\_, 20\_\_, are not subject to redemption before maturity. Bonds maturing on or after \_\_\_\_\_, 20\_\_, are subject to optional redemption before maturity on or after \_\_\_\_\_, 20\_\_, at the direction of the County, in whole or part in installments of \$5,000 at any time, in such order as may be determined by the Director of the Department of Management and Finance (except that if at any time less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity or portions thereof to be redeemed shall be selected by lot) upon payment of the principal amount to be redeemed together with the interest accrued thereon to the date fixed for redemption.

[Sinking Fund Provisions, If Applicable]

If any of the Bonds or portions thereof are called for redemption, the Bond Registrar shall send notice of the call for redemption identifying the Bonds by serial or CUSIP numbers, and in the case of partial redemption, identifying the principal amount to be redeemed, and identifying the redemption date and price and the place where Bonds are to be surrendered for payment, by first class mail not less than 30 nor more than 60 days before the redemption date to the registered owner of each Bond to be redeemed at such owner's address as it appears on the registration books maintained by the Bond Registrar, but failure to mail such notice shall not affect the validity of the proceedings for redemption. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Resolution and shall not be deemed to be outstanding. If a portion of this Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon the surrender of this Bond.

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the County, the corresponding notice of redemption shall be deemed to be revoked.

If the County gives an unconditional notice of redemption, then on the redemption date the Bonds called for redemption will become due and payable. If the County gives a conditional notice of redemption, and the amount of money to pay the redemption price of the affected Bonds shall have been set aside with an escrow agent or a depository (either, a "depository") for the purpose of paying such Bonds, then on the redemption date the Bonds will become due and payable. In either case, if on the redemption date the County holds money to pay the Bonds

called for redemption, thereafter no interest will accrue on those Bonds, and a Bond owner's only right will be to receive payment of the redemption price upon surrender of those Bonds.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Any Bond may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations at the principal office of the Bond Registrar.

This Bond may be transferred only by an assignment duly executed by the registered owner hereof or such owner's attorney or legal representative in a form satisfactory to the Bond Registrar. Such transfer shall be made in the registration books kept by the Bond Registrar upon presentation and surrender hereof and the County shall execute, and the Bond Registrar shall authenticate and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in names as requested by the then registered owner hereof or such owner's attorney or legal representative. Any such exchange shall be at the expense of the County, except that the Bond Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The County may designate a successor Bond Registrar and/or paying agent, provided that written notice specifying the name and location of the principal office of any such successor shall be given to the registered owner of the Bonds. Upon registration of transfer of this Bond, the Bond Registrar shall furnish written notice to the transferee of the name and location of the principal office of the Bond Registrar and/or the paying agent.

The Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the first day of the month in which each interest payment date occurs.

This Bond shall not be valid or obligatory for any purpose unless and until authenticated at the foot hereof by the Bond Registrar.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Bond have happened, exist or been performed in due time, form and manner as so required and that the indebtedness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the County Board of Arlington County, Virginia, has caused this Bond to be signed by the facsimile signature of the County Manager, a facsimile of its seal to be affixed and attested by the facsimile signature of its Clerk and this Bond to be dated \_\_\_\_\_, 2009.

ARLINGTON COUNTY, VIRGINIA

By \_\_\_\_\_  
County Manager,  
Arlington County, Virginia

[SEAL]

ATTEST:

\_\_\_\_\_  
Clerk, County Board  
Arlington County, Virginia

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: \_\_\_\_\_

the within Bond and does hereby irrevocably constitute and appoint

\_\_\_\_\_, attorney, to transfer said Bond on the books kept for registration of said Bond, with full power of substitution in the premises.

Dated \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association which is a member of a medallion program approved by the Securities Association, Inc.)

\_\_\_\_\_  
Registered Owner  
(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Bond in every particular, without alteration or change.)

CERTIFICATE OF AUTHENTICATION

The undersigned Bond Registrar hereby certifies that this is one of a series of Bonds of Arlington County, Virginia described in the within-mentioned Resolution.

Authentication Date:

By: \_\_\_\_\_  
Director of the Department of Management  
and Finance

CERTIFICATE OF THE CLERK  
OF THE COUNTY BOARD OF  
ARLINGTON COUNTY, VIRGINIA

At a regular meeting of the County Board of Arlington County, Virginia, held on the \_\_\_\_ day of June, 2009, the following County Board members were recorded as present:

PRESENT:

On motion by \_\_\_\_\_, seconded by \_\_\_\_\_, the foregoing Resolution was adopted by a majority of the members of the County Board by a roll call vote recorded as follows:

MEMBER

VOTE

Dated: \_\_\_\_\_, 2009

\_\_\_\_\_  
CLERK, ARLINGTON COUNTY BOARD