



## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of July 11, 2009**

**DATE:** June 30, 2009

**SUBJECT:** Authorization requesting the Industrial Development Authority to issue revenue bonds to finance the acquisition of land for streets and parks improvements in Buckingham Village I and the County's Metro Matters obligation

**C. M. RECOMMENDATION:**

1. Adopt, by roll call vote, the attached Resolution authorizing a request to the Industrial Development Authority of Arlington County, Virginia (the "IDA") to issue revenue bonds in an amount not to exceed \$43 million for County purposes and to authorize the County Manager or the Director of the Department of Management and Finance to approve the Bonds and the Basic Documents (as defined herein), and
2. Authorize the County Manager or the Director of the Department of Management and Finance to execute the Basic Documents on behalf of the County.
3. Appropriate bond proceeds in an amount not to exceed \$43 million to fund 313

**ISSUE:** Should the County authorize the financing of acquisition of land for street and park improvements in Buckingham Village I and payment of the County's Metro Matters obligation through revenue bonds issued by the IDA?

**SUMMARY:** The proposed financing through the IDA will allow the County to consummate two key projects: 1) the acquisition of land for street and park improvements in Buckingham Village I totaling \$14.8 million, as initially approved by the Board in June 2007, and 2) the reimbursement of a previous payment of a \$25.9 million obligation under the Metro Matters agreement. Under the terms of the proposed financing, the IDA will issue fixed rate, long-term revenue bonds in an amount not to exceed \$43 million. The County Board will provide support to the IDA, by agreeing, subject to annual appropriation, to pay amounts to the IDA necessary for the IDA to make debt service payments on the bonds. Debt service on the bonds will be paid for from a combination of sources, including the General Fund and Transportation Investment Fund, and has been included in the adopted FY 2010 budget.

**BACKGROUND:**

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

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

Staff: Mark Schwartz, Department of Management and Finance  
Michelle Cowan, Department of Management and Finance

**Land Acquisition in Buckingham Village I:** In June 2007, the County approved the acquisition of 2.3 acres of land in Buckingham Village I to extend two existing public streets and for a new public park as part of the overall redevelopment of Buckingham Village. The purchase price totals approximately \$14.8 million, and in addition to the acquisition of land, includes construction of the street and sidewalk improvements by the developer. Under the terms of the purchase agreement, closing on the acquisition is dependent on the developer's completion of certain site work, including demolition and removal of above and below ground structures and site grading. This work is anticipated to be completed later this fall, with closing and settlement of funds to occur on the acquisition shortly thereafter.

**Metro Matters Obligation:** The Metro Matters agreement, approved by the County and other jurisdictions in 2005, put a plan in place to fund critical infrastructure improvements to the Metrorail and Metrobus systems. The agreement anticipated that WMATA would issue bonds to fund a portion of these improvements. Under the Metro Matters agreement, jurisdictions have the choice to "opt-out" of WMATA's bond issue by issuing their own bonds. This option was negotiated by the jurisdictions because most jurisdictions have a higher long-term bond rating than WMATA's (which is rated A1 by Moody's and A by Standard & Poor's), and thus will carry lower interest rates.

WMATA issued bonds in June, and as approved by the Board in May, the County opted-out of its \$36.6 million share of the WMATA's bond issue. Approximately \$10.7 million of the County's opt-out payment was made from state grant funds available at the Northern Virginia Transportation Commission that are restricted in use for WMATA rolling stock; the remaining \$25.9 million was made from a temporary loan from the Utilities Fund, as approved by the Board in May. A portion of the proceeds will reimburse the Utilities Fund for the temporary loan.

**DISCUSSION:** The primary terms of the proposed financing are as follows:

**Security & Bond Ratings:** The bonds will be secured by the County's annual payments to the IDA under the Financing Agreement. Under this agreement, the County Manager is directed to submit a request each fiscal year to the County Board for an appropriation to the IDA equal to debt service on the bonds for the next fiscal year. Because the bonds are secured by this "annual appropriation" pledge, and not by the County's general obligation pledge, the ratings on the bonds will likely be in the double-A category.

**Term & Amortization:** Given the long useful life of the assets to be financed (land and Metro improvements), the proposed maximum term on the bonds is 25 years. The bonds will carry a call provision of 10 years or shorter, enabling the County and the IDA to prepay the bonds early. Amortization on the bonds will be on a level debt service basis, resulting in an average life of approximately 15 years.

**Method of Sale:** The bonds will be sold on a competitive basis the week of July 27, using the auction process that the County has used historically. The County does not anticipate using a retail order period as it currently plans to on the pending general obligation bond sale as the

Buckingham Village 1 / Metro Matters bonds will be issued by a different issuer (the IDA) and has a different security structure.

**Build America Bonds:** The County is currently evaluating the feasibility of issuing these bonds via the Build America Bonds program authorized via the American Recovery and Revitalization Act. The proposed resolution allows the County to pursue this program if cost-effective compared to a traditional tax-exempt structure.

**FISCAL IMPACT:** Estimated annual debt service in FY 2010 on the bonds totals \$0.9 million. Approximately \$0.2 million will be paid for from the Transportation Investment Fund and is attributable to the portion of the Buckingham Village 1 acquisition related to the public street extension. The remaining \$0.7 balance will be paid for from the General Fund and is within the County's adopted FY 2010 budget.

A RESOLUTION OF THE COUNTY BOARD  
OF ARLINGTON COUNTY, VIRGINIA REQUESTING THE  
INDUSTRIAL DEVELOPMENT AUTHORITY  
OF ARLINGTON COUNTY, VIRGINIA  
TO ISSUE REVENUE BONDS TO FINANCE  
THE ACQUISITION OF BUCKINGHAM VILLAGE 1 AND THE  
PAYMENT OF THE COUNTY'S METRO MATTERS OBLIGATION

WHEREAS, the County Board (the "County Board") of Arlington County, Virginia (the "County") has determined that it is necessary or advisable to undertake the acquisition, construction, improvement and development of a portion of certain real property known as Buckingham Village 1 to be used as public streets and park facilities (the "Buckingham Village 1 Project") and the prepayment of all or a portion of the County's obligations under a multiyear capital funding and construction agreement known as the Metro Matters Funding Agreement between the Washington Metropolitan Area Transit Authority and sponsoring jurisdictions, including the County (the "Metro Matters Project" and, together with the Buckingham Village 1 Project, the "Projects") and to obtain financing for the Projects through revenue bonds (the "Bonds") to be issued by the Industrial Development Authority of Arlington County, Virginia (the "Authority"). The Bonds will be payable solely from the revenues derived from a Financing Agreement between the Authority and the County (the "Financing Agreement") pursuant to which the County will agree to make payments, subject to annual appropriation, sufficient to pay the principal of and interest on the Bonds.

WHEREAS, the Bonds will be issued pursuant to the following documents: (i) an Indenture of Trust (the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, with the form of the Bonds attached thereto; (ii) the Financing Agreement; (iii) a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") pursuant to which the County will undertake certain continuing disclosure requirements of Rule

15c2-12 promulgated by the Securities and Exchange Commission; and (iv) a Preliminary Official Statement (the "Preliminary Official Statement") and an Official Statement (the "Official Statement") with respect to the issuance and sale of the Bonds. The Financing Agreement and the Indenture are referred to in this Resolution as the "Basic Documents".

WHEREAS, the County Board has determined that it is necessary or desirable to advance money to pay costs of the Projects and has previously, by resolution adopted May 16, 2009, declared its intention to reimburse itself for costs of the Metro Matters Project.

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

1. Issuance of Bonds. The County requests the Authority to issue its Bonds, in one or more taxable or tax-exempt series, in the maximum aggregate principal amount of \$43,000,000 to be paid from revenues derived from payments made by the County pursuant to the Financing Agreement and to apply the proceeds of the Bonds to finance the Projects in accordance with the Basic Documents.

2. Authorization of Basic Documents. The Basic Documents are approved in substantially the forms on file with the Director of the Department of Management and Finance, with such changes, insertions or omissions (including, without limitation, changes of the dates thereof) as may be approved by the County Manager, the Director of the Department of Management and Finance or the Chairman of the County Board, whose approval shall be evidenced conclusively by the execution and delivery of the Financing Agreement. The execution and delivery of and performance by the County under the Basic Documents are authorized.

3. Execution of Documents. The Chairman and the Vice Chairman of the County Board, the County Manager and the Director of the Department of Management and Finance, or any of them, are authorized to execute on behalf of the County the Basic Documents and, if required, the Clerk of the County Board is authorized and directed to affix or to cause to be affixed the seal of the County to the Basic Documents and to attest such seal. The Chairman and the Vice Chairman of the County Board, the County Manager and the Director of the Department of Management and Finance or their designees are authorized to execute and deliver on behalf of the County such instruments, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Basic Documents; and all of the foregoing, previously done or performed by such officers or agents of the County, are in all respects approved, ratified and confirmed.

4. Sale of Bonds. The Bonds shall be offered for sale in such manner as the Director of the Department of Management and Finance may determine to be in the best interests of the County. The Director of the Department of Management and Finance is authorized and directed to request the Chairman or Vice Chairman of the Authority to accept bids and/or proposals for the purchase of the Bonds, including bids and/or proposals for the purchase of all or a portion of the Bonds as Build America Bonds (Direct Payment) under Section 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), added by the provisions of the American Recovery and Reinvestment Act of 2009, which results in the lowest true interest cost to the County, provided that the true interest cost of the Bonds does not exceed the maximum set forth in this paragraph 4. The Director of the Department of Management and Finance is authorized and directed to request the Chairman or Vice Chairman of the Authority to approve the final

terms of the Bonds, to evidence the Authority's irrevocable election to apply Section 54AA(g) of the Tax Code to such Bonds (including by preparing, signing and filing with the Internal Revenue Service the required forms) to any Bonds to be issued as Build America Bonds, and award the Bonds in accordance with the terms of the Notice(s) of Sale for the Bonds; all provided that (i) the true interest cost of the Bonds shall not exceed 6.0% for any tax-exempt Bonds and 8.5% for any taxable Bonds (not including any refundable credits to be received from the Secretary of the Department of the Treasury of the United States under Section 6431 of the Tax Code in respect of Build America Bonds), (ii) the aggregate principal amount of the Bonds shall not exceed the amount set forth in paragraph 1, (iii) the sale price of the Bonds to the underwriter(s) thereof shall not be less than 97% of the aggregate principal amount thereof (not taking into account any original issue discount), (iv) the sale price for each maturity of any Bonds issued as Build America Bonds to the underwriter(s) thereof shall not be greater than (a) 100% plus (b) one-quarter of one percent (0.25%) of the par amount multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for each maturity of such Bonds and (v) the final maturity of the Bonds shall not be later than approximately 26 years from their date.

5. Disclosure Documents. The Preliminary Official Statement and the Continuing Disclosure Agreement are approved in substantially the form on file with the Director of the Department of Management and Finance, with such changes, insertions or omissions as approved by the County Manager or the Director of the Department of Management and Finance. The County Manager or the Director of the Department of Management and Finance, or either of them, is authorized and directed to prepare and deliver the Official Statement. The use and distribution of the Preliminary Official Statement, a notice of bond sale and the Official

Statement in connection with the sale of the Bonds is authorized and approved. The County Manager and Director of the Department of Management and Finance, or either of them, are authorized to execute the Official Statement. The Preliminary Official Statement, a notice of bond sale and the Official Statement 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 and Official Statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12. The execution and delivery of and performance by the County under the Continuing Disclosure Agreement is authorized. The County Manager and Director of the Department of Management and Finance, or either of them, are authorized to execute the Continuing Disclosure Agreement.

6. Nature of Obligations. Nothing in this Resolution, the Bonds or the Basic Documents shall constitute a debt of the County and the Authority shall not be obligated to make any payments under the Bonds or the Basic Documents except from payments made by or on behalf of the County under the Financing Agreement. The County Manager is directed to submit for each fiscal year a request to the County Board for an appropriation to the Authority for an amount equal to the payments coming due under the Financing Agreement for the next fiscal year. The County's obligations to make payments to the Authority pursuant to this Resolution shall be subject to and dependent upon annual appropriations being made from time to time by the County Board for such purpose. Nothing in this Resolution, the Bonds or the Financing Agreement shall constitute a pledge of the full faith and credit of the County.

7. Official Intent. The County Board adopts this Resolution as a declaration of official intent for purposes of Treasury Regulations Section 1.150-2. The County Board reasonably expects to reimburse advances made or to be made by the County to pay the costs of the Projects from proceeds of the Bonds. The maximum amount of Bonds expected to be issued in one or more series for the Projects is \$43,000,000.

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

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 11<sup>th</sup> day of July, 2009 the following County Board members were present as shown:

PRESENT:

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

MEMBER

VOTE

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

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