



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of May 22, 2010

DATE: May 6, 2010

SUBJECT: Final authorization of issuance of general obligation bonds through the Virginia Public School Authority's (VPSA) Qualified School Construction Bond (QSCB) Program

C. M. RECOMMENDATION:

1. Adopt the attached resolution providing final authorization to issue and sell General Obligation School Bonds to the Virginia Public School Authority.

ISSUE: Should the County give final authorization (after initial authorization at the April 27th Board Meeting) for issuance of general obligation bonds for certain Schools construction projects at very favorable rates

SUMMARY: At the April 27th County Board Meeting, initial authorization was given for the County's issuance of Qualified School Construction Bonds through the Virginia Public School Authority. Because there is a public hearing requirement, and VPSA's request came after the public hearing advertisement deadlines for the Board Meeting on April 24, the County Board is being asked to take final authorization action at its May 22 meeting after conducting a public hearing. The School Board adopted a resolution authorizing the issuance of general obligation bonds through the QSCB program at its May 6 meeting.

BACKGROUND: As part of the American Recovery and Reinvestment Act (ARRA), the Commonwealth of Virginia received \$191 million in QSCB authority and ran a competitive allocation process open to all school systems state-wide. Selection criteria included annual energy savings, project payback period, shovel readiness and composite index. Bonds would be issued through a pooled program run by VPSA that includes more than 20 jurisdictions state-wide.

County staff supported Schools staff in their application effort, and Arlington Public Schools received \$3,331,002 for energy efficiency improvements to the Career Center, including HVAC, solar, lighting and window upgrades.

In late March, Congress passed amendments to the QSCB portion of ARRA that make the program more attractive to issuers and investors alike. (Previously the QSCB program provided a tax credit to investors; under the revised program, borrowers will directly receive an interest subsidy of up to 100%.)

County Manager: BMD/MJS

County Attorney: SA

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Staff: Michelle Cowan, Department of Management and Finance; Jason Friess, Department of Management and Finance

VPSA notified local issuers during the week of April 12 that each issuer must secure preliminary authorization by its respective governing bodies by May 14, with final authorization before the sale date of May 24. Because there is a public hearing requirement, and VPSA's request came after the public hearing advertisement deadlines, the County Board took initial authorization action at its April 27 meeting and will then subsequently conduct a public hearing and take final authorization action at its May 22 meeting.

DISCUSSION: The primary terms of the QSCB financing are as follows:

Amount: APS' award totaled \$3.3 million; staff is asking for bond authority of approximately \$3.7 million, or 10% higher than the award, to accommodate the potential for investors bidding with a discount on the bonds.

Term: Not to exceed 17 years per U.S. Treasury regulations

Amortization Structure: Bullet maturity with minimum sinking fund requirements so that at least 10% of the principal is repaid over the first five years and at least 50% by the end of ten years. Sinking fund payments will be reinvested in accordance with U.S. Treasury requirements.

Subsidy: Structured so that localities would receive an interest subsidy of up to 100%. Subsidy payments would be made to the Commonwealth who would then pass them on to local issuers.

Other Requirements: Proceeds must be spent within three years of issuance. Projects financed with QSCB bonds are subject to Davis-Bacon wage rate requirements.

FISCAL IMPACT: Issuance under the QSCB program is projected to save \$65,000 to \$80,000 annually, or \$1.4 million on a net present value basis. APS has budgeted sufficient debt service in its proposed FY 2011 budget for QSCB bonds and this issuance has been included in recent analysis of debt capacity.

**COUNTY BOARD
ARLINGTON COUNTY, VIRGINIA**

Resolution No. _____

**A RESOLUTION TO PROVIDE FINAL AUTHORIZATION TO
ISSUE AND SELL THE ARLINGTON COUNTY, VIRGINIA
GENERAL OBLIGATION SCHOOL BOND, SERIES 2010 TO BE
SOLD TO THE VIRGINIA PUBLIC SCHOOL AUTHORITY**

WHEREAS, the County Board (the "Board") of Arlington County, Virginia (the "County") by resolution adopted April 27, 2010, (the "Preliminary Resolution") authorized the issuance and sale of its general obligation school bond in the estimated maximum principal amount of \$3,664,125 (the "Bond"), to finance certain capital projects for public school purposes, including certain energy efficiency improvements and renovations, as well as renewable energy projects, at various public school buildings within the County, subject to final authorization following a public hearing on the issuance of the Bond; and

WHEREAS, the Board has held a public hearing on the issuance of the Bond in accordance with Virginia Code Section 15.2-2606.

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

1. **Final Authorization of Bond.** The Board hereby authorizes the issuance and sale of the Bond in accordance with the terms and provisions of the Preliminary Resolution and such Preliminary Resolution is hereby ratified and confirmed.
2. **Filing of Resolution.** The appropriate officers or agents of the County are authorized and directed to file a certified copy of this resolution with the Circuit Court of Arlington County, Virginia pursuant to Section 15.2-2607 of the Virginia Code.
3. **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 ___ day of May, 2010, 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 the following recorded vote:

MEMBER

VOTE

Dated: _____, 2010

CLERK, ARLINGTON COUNTY BOARD

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Authorization of Qualified School
Construction Bonds