



## ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item  
Meeting of December 11, 2010**

**DATE:** November 16, 2010

**SUBJECT:** Appropriate and allocate the School's 2010 Qualified School Construction Bond (QSCB) Proceeds

**C. M. RECOMMENDATION:**

Appropriate and allocate proceeds of \$3.390 million from the School's 2010 Qualified School Construction Bond (QSCB) issue as follows:

- \$3,390,000 to the Schools Bond Fund (887)

**ISSUES:** As standard practice, after general obligation bonds are sold, the County Board appropriates and allocates the bond proceeds by bond fund.

**SUMMARY:** At the April 27, 2010 County Board recessed meeting, the County approved the preliminary authorization for a bond sale for up to \$3.66 million. At the May 25, 2010 County Board recessed meeting, the County approved the final authorization for a bond sale up to \$3.66 million. Market conditions determined a final issuance amount of \$3.390 million on July 8, 2010.

**DISCUSSION:** The primary terms of the QSCB financing were as follows:

*Amount:* \$3.390 million

*Term:* 17 years per U.S. Treasury regulations

*Amortization Structure:* Bullet maturity with minimum sinking fund requirements so that over 10% of the principal is repaid over the first five years and over 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 receive an interest subsidy of 100%. Subsidy payments are to be made to the Commonwealth who then passes them on to local issuers.

County Manager:

*BMD/mjs*

County Attorney:

*[Signature]*

23.

Staff: Jason Friess, Department of Management and Finance – Financial Services Unit

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

**BACKGROUND:** QSCB bonds were authorized as part of the American Recovery and Reinvestment Act of 2009. They are tax credit bonds that are subject to a 100% interest subsidy from the Internal Revenue Service (IRS) providing significant savings when compared to traditional General Obligation bonds. Arlington County received an allocation of the state of Virginia's QSCB authority through a competitive application process run by the Virginia Public School Authority (VPSA). VPSA managed a pooled bond transaction of Virginia localities in order to attain better market pricing and to reduce issuance costs for participants.

**FISCAL IMPACT:** Debt service is payable from the School's budget which includes sufficient funds to pay debt service on the bonds. The bonds were issued at a True Interest Cost (TIC) of 0.11%, providing significant annual debt service savings over traditional General Obligation bonds. APS will include sufficient debt service in its proposed FY 2012 budget for the QSCB bonds and this issuance has been included in their future debt capacity constraints.