



ARLINGTON COUNTY, VIRGINIA

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

DATE: November 16, 2010

SUBJECT: Request the Industrial Development Authority to issue revenue bonds to finance portions of construction of Fire Station #3, park space at Buckingham Village I, and Arlington Mill Community Center.

C. M. RECOMMENDATION:

1. Adopt 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 \$15 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 in the Resolution), 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 \$15 million to Fund 340.

ISSUE: Should the County authorize the financing for the construction of Fire Station #3, construction of park space at Buckingham Village 1, and a portion of the construction of the Arlington Mill Community Center through revenue bonds issued by the IDA?

SUMMARY: The proposed financing through the IDA will allow the County to consummate three projects: 1) the construction of Fire Station #3; 2) the construction of park space at Buckingham Village 1; and 3) a portion of the construction of the Arlington Mill Community Center. Under the terms of the proposed financing, the IDA will issue fixed rate, long-term revenue bonds in an amount not to exceed \$15 million. The higher par value provides the County the flexibility to ensure that the \$13.4 million needed for the three projects is received should the bonds sell at a discount. 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 the General Fund and

County Manager: *BMD/mjs*

County Attorney: *[Signature]*

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

29.

was included in the debt capacity projections included in the Adopted FY 2011 – 2016 CIP and will be included in the proposed FY 2012 budget.

BACKGROUND:

Fire Station 3: Fire Station 3 is currently in the final phases of construction and scheduled for completion in May 2011. The adopted FY 2007 – 2012 CIP anticipated \$13 million in appropriation-backed bond funding to complete the project; based on current cost estimates and contracts, only \$7.5 million of that amount will be needed. This commitment was included in the debt issuance assumptions as part of the adopted FY 2011 – 2016 CIP.

Park space at Buckingham Village 1: 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 preservation and redevelopment of Buckingham Village. The land was purchased in October, 2009 (totaling \$14.8 million), with proceeds from the 2009 IDA Revenue Bond issue. Under the terms of the June 2007 site plan approval, the developer is responsible for design of a new public park (subject to County approval); the County is responsible for funding associated construction costs, currently estimated at \$0.85 million. Construction is scheduled to begin in spring 2011; County Board consideration of the construction agreement will be requested in early 2011. According to the site plan, the developer will be responsible for ongoing maintenance costs. This project was included in the adopted FY 2009 – 2014 CIP and was also included in the debt issuance assumptions as part of the adopted FY 2011 – 2016 CIP.

Arlington Mill Community Center: In December, 2009, the County Board directed staff to proceed with the construction of Arlington Mill Community Center and to initiate a process seeking a partner for the housing portion of the mixed-use development. Current cost estimates for the community center and the other public portions of the project (gymnasium, plaza and associated parking) total \$31 million. The County has existing GO bond authorization of \$26 million and the recently adopted FY 2011 – 2016 anticipated \$5 million in funding from a future annual appropriation-secured bond issue.

By combining these three projects into one bond issue, the County will minimize transaction and staff costs associated with multiple deals and can take advantage of currently low interest rates.

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 useful life of the assets to be financed, the proposed maximum term on the bonds is 20 years. The bonds will carry a call provision of 10 years or

shorter, providing the County and the IDA the option to prepay the bonds early. Amortization on the bonds will be on a level principal basis, resulting in an average life of approximately 11 years.

Method of Sale: The bonds will likely be sold on a competitive basis the week of January 17th, using the auction process that the County has used historically. However, if the Build America Bonds (“BABs”) program (discussed in more detail below) is reauthorized, the County may choose to pursue a negotiated deal with its existing pool of underwriters. The attached resolution provides the flexibility to pursue either option depending on the status of the BABs program and other market conditions. The County does not anticipate using a retail order period as it did on the 2009 general obligation bond sale as these bonds will be issued by a different issuer (the IDA) and will have a different security structure.

Build America Bonds: Two of the three most recent bond deals issued by the County have included a Build America Bonds component. This program, originally authorized via the American Recovery and Reinvestment Act, provided for substantial interest rate subsidies that greatly benefitted the County. The program is scheduled to sunset at the end of 2010. While no extension has been approved by Congress, in the event that one is, the resolution provides the flexibility to issue under a re-extended program.

FISCAL IMPACT: There will be no debt service on these bonds in FY 2011. Estimated annual debt service in FY 2012 on the bonds totals \$1.01 million. The debt service will be paid from the General Fund and will be included in the County’s proposed FY 2012 budget. In addition, the proposed bonds were factored into the debt capacity projections included in the recently adopted CIP.

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 A PORTION OF THE COSTS
OF THE CONSTRUCTION AND EQUIPPING OF
FIRE STATION #3 AND CERTAIN OTHER PUBLIC IMPROVEMENTS

WHEREAS, the County Board (the "County Board") of Arlington County, Virginia (the "County") has determined that it is necessary or advisable to obtain financing for a portion of the costs of construction and equipping of Fire Station #3 and certain other public improvements which may include a portion of the costs of capital improvements to the Arlington Mill project consisting of design and construction of parking facilities and community or County space and design and construction of park space for the Buckingham Village project (the "Projects") through revenue bonds (the "Bonds") to be issued by the Industrial Development Authority of Arlington County, Virginia (the "Authority").

WHEREAS, the Bonds will be issued as Additional Bonds under the Indenture of Trust, dated as of August 1, 2009 (the "Indenture") between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") The Bonds will be issued pursuant to the following documents: (i) the First Supplemental Indenture of Trust (the "First Supplemental Indenture") between the Authority and the Trustee, with the form of the Bonds attached thereto; (ii) the First Amendment to Financing Agreement (the "First Amendment") between the County and the Authority; (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 First Amendment, the First Supplemental Indenture and the Continuing Disclosure Agreement are referred to in this Resolution as the "Basic Documents". The Bonds will be payable solely from the revenues derived from the Financing Agreement, dated as of August 1, 2009 (the "Financing Agreement") between the Authority and the County as amended by the First Amendment 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.

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 \$15,000,000 to be paid from revenues derived from payments made by the County pursuant to the Financing Agreement, as amended by the First Amendment 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 First Amendment. The execution

and delivery of and performance by the County under the Basic Documents to which it is a party 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 to which the County is a party 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 County Manager and the Director of the Department of Management and Finance, or either of them, may determine to be in the best interests of the County. The County Manager and the Director of the Department of Management and Finance, or either of them, is authorized and directed to request the Chairman or Vice Chairman of the Authority to accept the bid for the purchase of the Bonds 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 County Manager and the Director of the Department of Management and Finance, or either of them, is authorized and

directed to request the Chairman or Vice Chairman of the Authority to approve the final terms of the Bonds, and award the Bonds in accordance with the terms of the Notice 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 (8.5% for any taxable Bonds not taking into account any refundable credits that may apply to interest on any taxable 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), and (iv) the final maturity of the Bonds shall not be later than approximately 21 years from their date. If the County Manager or the Director of the Department of Management and Finance determines that it is in the best interests of the County to sell the Bonds at a negotiated sale, the County Manager and the Director of the Department of Management and Finance, or either of them, is authorized to execute and deliver, and to request the Chairman or Vice Chairman of the Authority to execute and deliver, a bond purchase agreement providing for the sale of the Bonds to an underwriter or underwriters approved by the County Manager or the Director of the Department of Management and Finance on such terms, subject to the limitations set forth in the paragraph 4, as the County Manager and the Director of the Department of Management and Finance, or either of them, may approve such approval to be evidenced conclusively by the execution and delivery of the bond purchase agreement. If the provisions of Section 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Tax Code") relating to Build America Bonds are extended or similar legislation is enacted, the County Manager and the Director of the Department of Management and Finance, or either of them, is authorized to request the Chairman or Vice Chairman of the Authority to accept bids or proposals for the purchase of all or a portion of the Bonds to be issued as Build

America Bonds (Direct Payment) under Section 54AA(g) of the Tax Code or any successor provision if the County Manager or the Director of the Department of Management and Finance determine the issuance and sale of such Build America Bonds to be in the best interests of the County. The Director of the Department of Management and Finance is authorized to request the Chairman or Vice Chairman of the Authority to execute such documents and certifications as may be necessary to evidence the Authority's election to apply Section 54AA(g) of the Tax Code, or any successor provision, to any Bonds issued as Build America Bonds. 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.

5. Disclosure Documents. The Preliminary Official Statement is 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 and 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 Director of the Department of Management and Finance, or such officers and agents of the County as she may designate, shall determine. The Director of the Department of Management and Finance, or such other officer or agent of the County as she 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.

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, as amended by the First Amendment. 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, as amended by the First Amendment 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, as amended by the First Amendment shall constitute a pledge of the full faith and credit of the County.

7. 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 11th day of December, 2010, the following County Board members were present as shown:

PRESENT:

On motion of _____, seconded by _____, the attached Resolution was adopted by a majority of the members of the County Board by the following recorded vote:

MEMBER

VOTE

Clerk, Arlington County Board