



## ARLINGTON COUNTY, VIRGINIA

<b>County Board Agenda Item Meeting of April 21, 2007</b>
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**DATE:** April 4, 2007

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

**C. M. RECOMMENDATION:**

Adopt, by roll call vote, the attached resolution authorizing the sale of General Obligation Public Improvement Bonds and Refunding Bonds in the amount not to exceed \$250.5\* million.

**ISSUES:** Should the County Board authorize the sale of bonds?

**SUMMARY:** The County Manager is asking the County Board to authorize the issuance of bonds in the maximum amount of \$250.5\* million, including the sale of \$31.3\* million in General Obligation Public Improvement Bonds for the County, \$16.6\* million in General Obligation Public Improvement Bonds for the Schools, \$67.5\* million in General Obligation Public Improvement Bonds for Utilities, and up to \$135.0\* million in General Obligation Refunding Bonds to redeem previously issued Series 1998, 2001, 2002, 2003, 2004, 2005, and 2006 bonds.

(\*) Rounded numbers

<b>SUMMARY OF NEW MONEY BONDS BY BOND REFERENDA</b>	
<b>2000 Bond Referenda</b>	
Utilities	3,566,000
<b>2002 Bond Referenda</b>	
Community Projects	4,000,000
Utilities	12,342,000
Total	16,342,000
<b>2004 Bond Referenda</b>	
Local Parks and Recreation	10,200,000
Transportation & Community Infrastructure	7,030,000

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

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

Staff: Mark Schwartz, Director, Department of Management and Finance  
Gus Vega, Financing Services Unit, DMF  
Report Date: April 4, 2007

<b>SUMMARY OF NEW MONEY BONDS BY BOND REFERENDA</b>	
Public School Projects	8,214,000
Total	25,444,000
<b>2006 Bond Referenda</b>	
Local Parks and Recreation	4,300,000
Community Infrastructure	5,800,000
Utilities	51,592,000
Arlington Public Schools	8,416,000
Total	70,108,000
<b>TOTAL NEW MONEY BONDS</b>	<b>\$115,460,000</b>

**BACKGROUND:** On November 7, 2006, Arlington voters approved five separate referenda for capital improvement projects to be financed through the sale of general obligation public improvement bonds totaling \$207.1\* million. To date, none of these bonds has been sold. On November 2, 2004, Arlington voters approved four separate referenda for capital improvement projects to be financed through the sale of general obligation public improvement bonds totaling \$208.0\* million, of which \$116.2\* million has been issued. On November 5, 2002, Arlington voters approved three separate referenda for capital improvement projects to be financed through the sale of general obligation public improvement bonds totaling \$158.8\* million, of which \$140.4\* million has been issued. On November 7, 2000, Arlington voters approved five separate referenda for capital improvement projects to be financed through the sale of general obligation public improvement bonds totaling \$122.1\* million, of which \$118.5\* million has been issued. Based upon project schedules, it is recommended that the County authorize the sale up to \$3.6\* million of the 2000 authorized bonds, up to \$16.3\* million of the 2002 authorized bonds, up to \$25.4\* million of the 2004 authorized bonds, and up to \$70.1\* million of the 2006 authorized bonds, for a total of \$115.5\* million.

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 \$135.0 million. The aggregate net present value savings on any refunding will be at least 3 percent of the refunded principal amount. Under current market conditions, there are no refunding opportunities that generate savings of 3 percent or greater. By authorizing refunding bonds up to this amount, County staff would be able to react quickly to changing market conditions and take advantage of any refunding opportunities that become available. County staff and its financial advisor will continue to monitor the County's debt and refund only the bonds that meet the County's savings criterion.

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(\*) Rounded numbers

In total, authorization to issue bonds in the maximum amount of \$250.5\* million is recommended.

**DISCUSSION:** In 2000, 2002, 2004 and 2006, Arlington voters approved the following 17 bond referenda for capital improvement projects. These referenda included the following categories and amounts:

AUTHORIZED BONDS, STATUS, AND NEW MONEY BONDS *			
(\$ in millions)			
2000 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2007 ISSUANCE
Local Parks and Recreation	25.875	25.875	-
Public Schools Project	42.612	42.612	-
Streets, Highways and Community Conservation	34.291	34.291	-
Government Facilities and Higher Education	7.210	7.210	-
Utilities	12.070	8.504	3.566
<b>Total</b>	<b>\$122.058</b>	<b>\$118.492</b>	<b>\$3.566</b>
2002 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2007 ISSUANCE
Arlington Community Projects			
Community Conservation	17.161	11.141	4.000
Parks, Land and Facility Acquisition, Open Space Development	20.569	20.569	-
Public Safety Facilities	5.619	5.619	-
Pedestrian Systems, Streets, Highways, Transit, Traffic Engineering Infrastructure and Pedestrian Signals	10.033	10.033	-
Metro	12.541	12.541	-
Storm Drainage	1.505	1.505	-
Utilities	12.342	-	12.342
Arlington Public School Projects	78.996	78.996	-
<b>Total</b>	<b>\$158.766</b>	<b>\$140.404</b>	<b>\$16.342</b>
2004 AUTHORIZATION	AUTHORIZED	ISSUED	REQUESTED 2007 ISSUANCE
Local Parks & Recreation	\$75.395	41.654	10.200
Transportation & Community Infrastructure			
Community Conservation	13.025	8.008	-
Transportation and Pedestrian Initiatives	10.195	-	4.075
Public Facilities	9.769	9.769	-
Storm Drainage	2.955	-	2.955
Metro	18.536	12.613	-

Arlington Public School Projects	78.128	44.134	8.214
<b>Total</b>	<b>\$208.003</b>	<b>\$116.178</b>	<b>\$25.444</b>
<b>2006 AUTHORIZATION</b>	<b>AUTHORIZED</b>	<b>ISSUED</b>	<b>REQUESTED 2007 ISSUANCE</b>
Local Parks and Recreation	35.550	-	4.300
Metro and Transportation Projects	31.500	-	-
Community Infrastructure	27.300	-	5.800
Utilities	79.000	-	51.592
Arlington Public Schools	33.712	-	8.416
<b>TOTAL</b>	<b>\$ 207.062</b>	<b>-</b>	<b>\$70.108</b>
<b>TOTAL NEW MONEY BONDS</b>			<b>\$115.460</b>

(\*) Rounded numbers

2000 Voter Authorized Bonds: Of the \$122.1\* million authorized by the voters in 2000, authorization to issue a maximum amount of \$3.6\* million is recommended at this time. This includes \$3.6\* million for the Water Pollution Control Plant. After the June 2007 issuance, all of the authorized bonds will have been issued.

2002 Voter Authorized Bonds: Of the \$158.8\* million authorized by the voters in 2002, authorization to issue a maximum amount of \$16.3\* million is recommended at this time. This includes \$4.0 million for Community Conservation projects, including Neighborhood Conservation projects; \$12.3\* million for the Water Pollution Control Plant. After the June 2007 issuance, approximately \$2.0\* million will remain unissued from the 2002 voter authorization.

2004 Voter Authorized Bonds: Of the \$208.0\* million authorized by the voters in 2004, authorization to issue a maximum amount of \$25.4\* million is recommended at this time. This includes \$10.2\* million for Parks & Recreation, including North Tract and public art project for Maury Park; \$4.1\* million for Transportation and Pedestrian Initiative projects; \$3.0\* million for Storm Drainage; and \$8.2\* million for construction of the new Washington-Lee High School project, and design for projects at Jefferson middle school, Wakefield high school, and the Career Center. After the June 2007 issuance, approximately \$66.4\* million will remain unissued from the 2004 voter authorization.

2006 Voter Authorized Bonds: Of the \$207.1\* million authorized by the voters in 2006, authorization to issue a maximum amount of \$70.1\* million is recommended at this time. This includes \$4.3\* million for Parks & Recreation, including Lee Community Center, Maury Art Center, and land acquisition; \$5.8\* million for Community Infrastructure projects including land acquisition for the Artbus garage, Woodmont, and Trades Center project; \$51.6\* million for Water Pollution Control Plant, Potomac Interceptor, and Washington Aqueduct County contribution, \$8.4 million for construction of the new Washington-Lee High School project, and design for projects at Jefferson middle school, Wakefield high school, and the Career Center.

After the June 2007 issuance, approximately \$137.0\* million will remain unissued from the 2006 voter authorization.

**REFUNDING ISSUES:** In addition to the issuance of new money bonds, the manager is requesting authorization to refinance a portion of outstanding bonds. As market conditions fluctuate, refunding outstanding debt may allow the County to achieve debt service savings. Potential refunding candidates include maturities of the Series 1998, 2001, 2002, 2003, 2004, 2005 and 2006 General Obligation Bonds.

Authorization is requested to issue refunding bonds in a maximum amount of \$135.0 million. County staff and its financial advisor will continue to analyze the County's debt portfolio for refunding opportunities that meet the County's savings threshold of 3 percent of the refunded par amount.

Depending on market conditions at the time of the new money bond sale, the refunding bonds may be combined with the new money bonds. Alternatively, the County may issue the refunding bonds as a separate issue and/or at a separate time, as was the case with the County's Series 2004A and Series 2004B Bonds.

**AUTHORIZATION RESOLUTION:** The attached resolution (Attachment 1) authorizes the County Manager, the Deputy County Manager, 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 \$250.5\* million. The new money portion of the bonds is expected to be sold in June 2007. 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.

**BOND STRUCTURE:** The proposed \$115.5\* million new money portion of the bonds will be repaid over 20 years. The preliminary bond structure assumes that the first interest payment will be made on September 15, 2007, with subsequent interest payments made semi-annually each March 15 and September 15. The preliminary structure also assumes that the first principal payment will be made on March 15, 2008, with subsequent principal payments made annually on March 15. The \$31.3 million Arlington County bonds, because of the two-year step-up schedule of principal repayment (i.e. 40 percent in year 1, 80 percent year 2, and equal payments thereafter), the principal and interest repayment schedule for the bonds would result in County additional debt service in FY 2008 of approximately \$1.7\* million and approximately \$2.6\* million in FY 2009; debt service for the new money portion of the bonds would increase in FY 2010 before starting to decline in FY 2011.

The bonds will be issued as fully registered bonds in denominations of \$5,000 each or whole multiples thereof, without physical delivery of bond certificates. 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.

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(\*) Rounded numbers

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 the 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. The various provisions outlined above are usual and customary practices that the County has followed on previous bond issues.

The bonds will be sold competitively via sealed bids. As a highly rated issuer, the County anticipates that it will attract a large number of bidders and competitive interest rates.

**FISCAL IMPACT:** A June 2007 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 a low bid in the range of 4 percent to 5 percent. This compares with the following rates received on previous County bond issues:

Series	Date of Issuance	True Interest Cost
Series 2006	March 2006	4.099%
Series 2005	May 2005	3.842 %
Series 2004B	August 2004	3.512%
Series 2004	May 2004	4.291%
Series 2003	May 2003	3.657%
Series 2002	June 2002	4.436%
Series 2001	June 2001	4.615%
Series 1999	June 1999	5.020%
Series 1998	May 1998	4.711%
Series 1997	June 1997	5.018%
Series 1996	October 1996	5.202%
Series 1995	June 1995	5.193%
Series 1994	July 1994	5.753%
Series 1993	June 1993	5.169%
Series 1992	July 1992	5.314%
Series 1991	October 1991	5.968%
Series 1989	January 1989	6.706%
Series 1987	January 1987	5.599%

The proposed \$115.5\* million new money bond issuance in June 2007 for Arlington County, Schools, and Utilities will add approximately \$1.7\* million to the County's FY 2008 debt service, \$1.4\* million to the School's FY 2008 debt service, and \$3.7\* million for the Utilities debt service in FY 2008, respectively. The chart below reflects the estimated debt service for FY 2008 after the new money bond issuance. The estimated debt service is within the amount included in the proposed FY 2008 budget for Arlington County.

**ESTIMATED IMPACT OF \$115.5\* MILLION NEW MONEY GENERAL OBLIGATION  
BOND ISSUE ON DEBT SERVICE  
(\$ in millions\*)**

	Existing FY 2008 Debt Service	Estimated Series 2007 FY 2008 Debt Service	Estimated FY 2008 New Debt Service
Arlington County	\$45.5	\$1.7	\$47.2
Arlington Public Schools	27.5	1.4	28.9
Utilities	5.3	3.7	9.0
<b>TOTAL</b>	<b>\$78.3</b>	<b>\$6.8</b>	<b>\$85.1</b>

(\*) Rounded numbers

Attachment:

A. Resolution for County Board consideration

A RESOLUTION OF THE COUNTY BOARD OF  
ARLINGTON COUNTY, VIRGINIA  
AUTHORIZING THE ISSUANCE AND SALE OF  
GENERAL OBLIGATION PUBLIC IMPROVEMENT AND REFUNDING BONDS,  
SERIES 2007

WHEREAS, the County Board (the "County Board") of Arlington County, Virginia (the "County") adopted resolutions on July 22, 2000, requesting the Circuit Court of Arlington County to order elections to be held on November 7, 2000, on the questions of contracting debt and issuing bonds for local and regional parks and recreation, public school projects, streets, highways and community conservation, government facilities and higher education, and utilities (the "2000 Projects") in an aggregate principal amount not to exceed \$122,058,500.

WHEREAS, at referenda held on November 7, 2000 (the "2000 Elections"), the voters of the County approved the issuance of the County's general obligation bonds for the 2000 Projects.

WHEREAS, the Circuit Court of the County entered an order on December 13, 2000, confirming the favorable vote of the voters as expressed at the 2000 Elections.

WHEREAS, a portion of the Bonds authorized at the 2000 Elections have been issued in the amount of \$118,492,400.

WHEREAS, the County Board adopted resolutions on July 20, 2002, requesting the Circuit Court of Arlington County to order elections to be held on November 5, 2002, on the questions of contracting debt and issuing bonds for community projects, public school projects and utilities (the "2002 Projects") in an aggregate principal amount not to exceed \$158,766,500.

WHEREAS, at referenda held on November 5, 2002 (the "2002 Elections"), the voters of the County approved the issuance of the County's general obligation bonds for the 2002 Projects.

WHEREAS, the Circuit Court of the County entered an order on November 21, 2002 confirming the favorable vote of the voters as expressed at the 2002 Elections.

WHEREAS, a portion of the bonds authorized at the 2002 Elections have been issued in the amount of \$140,404,646.

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 \$116,177,954.

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, none of the bonds authorized at the 2006 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 \$115,460,000, consisting of (i) a portion of the unissued bonds authorized by the 2000 Elections in the amount of \$3,566,000, (ii) a portion of the unissued bonds authorized by the 2002 Elections in the amount of \$16,342,000, (iii) a portion of the unissued bonds authorized by the 2004 Elections in the amount of \$25,444,000 and (iv) a portion of the unissued bonds authorized by the 2006 Elections in the amount of \$70,108,000 (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 and General Obligation Public Improvement and Refunding Bonds, Series 2006.

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 the New Money Bonds in the maximum aggregate principal amount of \$115,460,000 and the Refunding Bonds in the maximum aggregate principal amount of \$135,000,000 (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 2000 Projects, the 2002 Projects, the 2004 Projects and the 2006 Projects in the amounts shown below:

<u>2000 Elections</u>	
Utilities	\$ 3,566,000
 <u>2002 Elections</u>	
Community Projects	\$ 4,000,000
Utilities	12,342,000
 <u>2004 Elections</u>	
Local Parks and Recreation	\$ 10,200,000
Transportation & Community Infrastructure	7,030,000
Public Schools Projects	8,214,000
 <u>2006 Elections</u>	
Local and Parks and Recreation	\$ 4,300,000
Community Infrastructure	5,800,000
Utilities	51,592,000
Public Schools Projects	<u>8,416,000</u>
TOTAL:	<u>\$ 115,460,000</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 \$135,000,000 contained in this Section 1 shall expire on June 30, 2008.

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 Bonds shall be issued 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 mature or be subject to mandatory sinking fund redemption on the dates, in the years and in principal amounts to be determined by the Director of the Department of Management and Finance provided that the final maturity of the Bonds shall be not later than approximately 22 years from their date. The Bonds shall be issued in such aggregate principal amount as the Director of the Department of Management and Finance may determine, provided that the aggregate principal amount of the New Money Bonds shall not exceed \$115,460,000 and the aggregate principal amount of the Refunding Bonds shall not exceed \$135,000,000. The County Manager or his designee shall accept the bid for the purchase of the Bonds which results in the lowest true interest cost to the County and the Bonds shall bear interest, payable semi-annually, at such rate or rates and shall be sold at such price as may be set forth in the bid accepted by the County Manager or his designee; provided that the true interest cost of the Bonds shall not exceed 6.0% per annum. The County Manager reserves the right to reject any or all bids.

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 Manager, 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 Manager, or the Director of the Department of Management and Finance may serve as Bond Registrar and Paying Agent.

The County Manager, the Deputy County Manager, 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 Manager, 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 Manager, 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 Manager, 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 Manager, 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 2007

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 \_\_\_\_\_, 2007. This Bond shall bear interest (a) from \_\_\_\_\_, 2007, if this Bond is authenticated before \_\_\_\_\_, 2007 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 2007 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 7, 2000, November 5, 2002, November 2, 2004 and November 7, 2006, respectively, and a resolution adopted by the County Board on \_\_\_\_\_, 2007 (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 \_\_\_\_\_, 2007.

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 \_\_\_\_\_, 2007, 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: \_\_\_\_\_, 2007

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