Response to Questions on the FY 2010
County's Line of Business & Schools Program Review Processes
Fall 2008

Request By: Supervisor Foust

Question: What are the cost implications between instituting retail versus institutional bond sales for a sample bond issuance?

Response: County staff reviewed this question with the County's Financial Advisor, Public Financial Management (PFM), in preparation for the recently completed 2009A and 2009B bond sales in January 2009. Market data from other jurisdictions was examined for relevance and savings potential for Fairfax County. The analysis revealed that it would be slightly more expensive for the County to conduct retail sales (individual investors) versus strictly an institutional (large pension funds, mutual funds, brokers, or large financial institutions) bond sale. For the future, it is recommended that the County review cost estimates and market conditions on a case by case basis in order to determine the most advantageous bond sale approach for the County.

The County chose to continue its standard practice in conducting a competitive sale in order to obtain the least cost for the County rather than conduct a negotiated process targeting retail investors. The sale proved to be the most successful sale in the County's history. The new money bond sale, 2009A, garnered nine bidders, the largest number of bidders for a new money bond sale. The interest rate obtained for this sale was 3.567 percent, the lowest interest rate ever obtained for a new money sale. The savings achieved as calculated against the Bond Buyer Index (BBI) 20-Bond Index were the largest ever recorded for a County bond sale. The refunding sale, 2009B, obtained eleven bidders another record for a refunding bond sale and a 1.46 percent interest rate, the lowest interest rate the County has ever obtained for this type of sale.