

NEW ISSUE

Book-Entry-Only

Ratings: Fitch: AAA
Moody's: Aa1
Standard & Poor's: AAA
(See "Ratings" herein.)

In the opinion of Bond Counsel, based on current law and assuming compliance with the provisions of certain covenants by and the accuracy of certain representations and certifications of the City described in the section herein entitled "THE SERIES 2014 BONDS – Tax Exemption," interest on the Series 2014 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not treated as a preference item in calculating the alternative minimum income tax imposed under the Code with respect to individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the Series 2014 Bonds must be included in computing adjusted current earnings. Bond Counsel is also of the opinion that interest on the Series 2014 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "THE SERIES 2014 BONDS – Tax Exemption" regarding certain other tax considerations.

\$11,740,000
City of Falls Church, Virginia
General Obligation Public Improvement Bonds,
Series 2014

Dated: Date of Delivery

Due: July 15, as shown on the inside cover

Interest Payable: January 15 and July 15

First Interest Payment: July 15, 2015

The General Obligation Public Improvement Bonds, Series 2014 (the "Series 2014 Bonds"), will constitute general obligations of the City of Falls Church, Virginia (the "City"), for the payment of which the full faith and credit and unlimited taxing power of the City will be irrevocably pledged. The City Council of the City will be authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Series 2014 Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and premium, if any, and interest on the Series 2014 Bonds as the same respectively become due and payable.

The Series 2014 Bonds will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2014 Bonds. So long as Cede & Co. is registered owner of the Series 2014 Bonds, as the nominee for DTC, (a) references herein to the Bondholder or registered owner shall mean Cede & Co. and (b) principal, premium, if any, and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal, premium and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Series 2014 Bonds. Individual purchases of beneficial ownership interest in the Series 2014 Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof. Bond certificates will be immobilized at DTC and not available for delivery to the public. See "SECTION TWO: THE SERIES 2014 BONDS - Description of the Series 2014 Bonds - Book-Entry-Only System" herein. The Series 2014 Bonds will bear interest from their date, payable semiannually on January 15 and July 15, commencing July 15, 2015.

The Series 2014 Bonds are subject to optional redemption prior to their maturities as set forth in the Series 2014 Bonds and described in the section herein entitled "THE SERIES 2014 BONDS – Description of the Series 2014 Bonds – Redemption."

The Series 2014 Bonds are offered for delivery when, as and if issued, subject to the approval of validity by McGuireWoods LLP, Tysons Corner, Virginia, Bond Counsel, as described herein. It is expected that the Series 2014 Bonds will be available for delivery through DTC in New York, New York on or about December 23, 2014.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: December 15, 2014

\$11,740,000
City of Falls Church, Virginia
General Obligation Public Improvement Bonds,
Series 2014

Base CUSIP Number 306567**

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

<u>July 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield*</u>	<u>Price*</u>	<u>CUSIP Suffix</u>
2015	\$590,000	2.000%	0.250%	100.980%	PW2
2016	590,000	2.000%	0.350%	102.566%	PX0
2017	590,000	2.000%	0.550%	103.682%	PY8
2018	590,000	2.000%	0.850%	104.025%	PZ5
2019	590,000	4.000%	1.080%	112.961%	QA9
2020	590,000	3.000%	1.330%	108.922%	QB7
2021	590,000	4.000%	1.520%	115.429%	QC5
2022	590,000	4.000%	1.710%	116.176%	QD3
2023	585,000	4.000%	1.850%	116.949%	QE1
2024	585,000	5.000%	2.000%	125.988%	QF8
2025	585,000	3.000%	2.250%	106.418%	QG6
2026	585,000	3.000%	2.450%	104.661%	QH4
2027	585,000	3.000%	2.700%	102.512%	QJ0
2028	585,000	3.000%	2.800%	101.666%	QK7
2031	585,000	3.000%	3.050%	99.352%	QM3
2032	585,000	3.000%	3.100%	98.652%	QN1
2033	585,000	3.000%	3.150%	97.902%	QP6
2034	585,000	3.125%	3.200%	98.914%	QQ4

\$1,170,000 3.000 % Term Bond due July 15, 2030, Priced at 100% to Yield 3.000%, CUSIP Suffix QL5

Optional and Mandatory Redemption: The Series 2014 Bonds maturing on and after July 15, 2025 will be subject to optional redemption in whole or in part as set forth herein. The Series 2014 Bonds maturing on July 15, 2030 will be subject to mandatory sinking fund redemption as set forth herein. See the section entitled "THE SERIES 2014 BONDS – Description of the Series 2014 Bonds – Redemption."

*Yield and price calculated to first optional redemption date of July 15, 2024.

** A registered trademark of the American Bankers Association ("ABA"), used by Standard & Poor's ("S&P") in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

CITY OF FALLS CHURCH, VIRGINIA

CITY COUNCIL

David Tarter, Mayor
David F. Snyder, Vice Mayor
Dan Sze
Phil Duncan
Karen Oliver
Marybeth Connelly
Nader Baroukh

CITY OFFICIALS

F. Wyatt Shields, City Manager
Richard La Condre, Director of Finance
Carol W. McCoskrie, City Attorney
Celeste Heath, City Clerk
Jody Acosta, City Treasurer
Thomas Clinton, Commissioner of Revenue
Toni Jones, Superintendent of Schools

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INDEPENDENT AUDITOR

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Harrisonburg, VA 22801

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Series 2014 Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2014 Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words, “estimate”, “project”, “anticipate”, “expect”, “intend”, “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2014 Bonds, including transactions to (i) over allot in arranging the sales of the Series 2014 Bonds and (ii) make purchases in sales of Series 2014 Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in a manner beyond the City’s control. Such stabilization, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

\$11,740,000

**City of Falls Church, Virginia
General Obligation Public Improvement Bonds,
Series 2014**

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the sale by the City of Falls Church, Virginia (the “City”), of its \$11,740,000 General Obligation Public Improvement Bonds, Series 2014 (the “Series 2014 Bonds”). The Series 2014 Bonds will be general obligations of the City, for the payment of which the full faith and credit of the City is irrevocably pledged. Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

The Issuer

The issuer of the Series 2014 Bonds is the City of Falls Church, Virginia, located in the Washington, D.C. Metropolitan area, seven miles west of the nation’s capital. The City, with a land area of approximately 2.2 square miles, is bordered by Arlington County to the east and Fairfax County to the south, west and north.

The City is autonomous and entirely independent of any county or any other political subdivision. It is neither coterminous with nor subject to taxation by any county and is not liable for any county indebtedness. The City had an estimated population of 13,508 in 2013.

The Series 2014 Bonds

The Series 2014 Bonds consist of \$11,740,000 General Obligation Public Improvement Bonds, Series 2014, dated the date of their delivery, with principal payments annually on July 15 from 2015 through 2034. The Series 2014 Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company, New York, New York (“DTC”), or by its nominee as securities depository with respect to the Series 2014 Bonds.

Interest on the Series 2014 Bonds will be payable on January 15 and July 15, commencing July 15, 2015, until the earlier of maturity or redemption. As long as the Series 2014 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

Use of Proceeds

Proceeds of the Series 2014 Bonds will be used to finance certain costs of issuing the Series 2014 Bonds and to pay, or to reimburse the City for money advanced to pay, the costs of certain capital projects of the City more particularly described in “SECTION TWO: THE SERIES 2014 BONDS – Authorization and Purpose of the Series 2014 Bonds” of this Official Statement.

Delivery

The Series 2014 Bonds are offered for delivery, when, as, and if issued, subject to the approval of validity by McGuireWoods LLP, Tysons Corner, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, Carol W. McCoskrie, Esquire. It is expected that the Series 2014 Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about December 23, 2014.

Ratings

The Series 2014 Bonds have been rated as shown on the cover page hereto by Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. A more complete description of the ratings is provided in SECTION FIVE.

Additional Information

Any question concerning the content of this Official Statement should be directed to Richard La Condre, Director of Finance, 300 Park Avenue, Falls Church, Virginia 22046, (703-248-5092), or to the City's Financial Advisor, Davenport & Company LLC, 901 E. Cary Street, Ste. 1100 Richmond, Virginia 23219, (804-347-9693).

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SECTION TWO: THE SERIES 2014 BONDS

Authorization and Purpose of the Series 2014 Bonds

Issuance of the Series 2014 Bonds is authorized by an ordinance of the City Council enacted July 14, 2014 (the “Ordinance”) pursuant to and in conformity with Article VII of the Constitution of the Commonwealth of Virginia, and pursuant to the provisions of the Charter of the City of Falls Church (Chapter 323, Virginia Acts of Assembly of 1950, as amended) and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, as applicable. The Ordinance and the issuance of the Series 2014 Bonds were approved by referendum of the voters of the City on November 4, 2014. On November 24, 2014, the City Council adopted a resolution (the “Resolution”) setting forth certain details with respect to the Series 2014 Bonds.) Proceeds of the Series 2014 Bonds will be used to finance certain costs of issuing the Series 2014 Bonds and to pay, or reimburse money advanced to pay, certain costs incident to constructing, reconstructing, equipping and/or re-equipping, in whole or in part, the Mount Daniel Elementary School and the costs of various other capital improvements.

Description of the Series 2014 Bonds

The Series 2014 Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof and will be held by DTC, or its nominee, as securities depository with respect to the Series 2014 Bonds. See “Book-Entry-Only System” herein. Purchases of beneficial ownership interests in the Series 2014 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Series 2014 Bonds will be dated the date of their delivery, will bear interest at the rates per annum set forth on the inside front cover page hereof, payable on July 15, 2015, and semi-annually thereafter on January 15 and July 15 of each year (each, an “Interest Payment Date”), and will mature on July 15 in the years and in the principal amounts set forth on the inside front cover page hereof.

Redemption

Optional Redemption. The Series 2014 Bonds maturing on or before July 15, 2024 will not be subject to optional redemption. The Series 2014 Bonds maturing on and after July 15, 2025 will be subject to optional redemption on and after July 15, 2024 in whole or in part (in installments of \$5,000) at any time, at par plus interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2014 Bonds maturing on July 15, 2030, are required to be redeemed in part before maturity on July 15 in the years and in the amounts set forth below, at par plus accrued interest to the date fixed for redemption.

\$1,170,000 Term Bonds Maturing July 15, 2030

Year	Amount
2029	\$585,000
2030*	\$585,000

*Final maturity

Selection for Redemption

If less than all of the Series 2014 Bonds are called for redemption, the maturities of the Series 2014 Bonds to be redeemed shall be called in such order as may be determined by the City’s Director of Finance.

If less than all of the Series 2014 Bonds of any maturity are called for redemption, the Series 2014 Bonds to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the registrar and paying agent (the “Registrar”) by lot in such manner as the Registrar in its discretion may determine.

Notice of Redemption

The City shall cause notice of redemption to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner of the Series 2014 Bonds. The City shall not be responsible for sending notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2014 Bonds. If no qualified securities depository is the registered owner of the Series 2014 Bonds, notice of redemption shall be sent to the registered owners of the Series 2014 Bonds. Each notice of redemption shall identify the Series 2014 Bonds and, in the case of partial redemption, the portions thereof to be redeemed. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Series 2014 Bonds or portions thereof so called for redemption shall cease to bear interest on such date and shall not be deemed to be outstanding. During the period that DTC or the DTC nominee is the registered holder of the Series 2014 Bonds, the Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2014 Bonds. See “Book-Entry-Only System” below.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the paying agent for the Series 2014 Bonds moneys sufficient to redeem all of the Series 2014 Bonds called for redemption, the notice may state that it is conditional on the deposit of redemption moneys with the paying agent not later than the opening of business on the redemption date.

Security for the Series 2014 Bonds

The Series 2014 Bonds constitute general obligations of the City, and the full faith and credit of the City are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Series 2014 Bonds. The proceedings authorizing the issuance of the Series 2014 Bonds provide that the City Council shall, in each year while any of the Series 2014 Bonds shall be outstanding, levy and collect on all property in the City subject to local taxation an annual ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and the interest on the Series 2014 Bonds, unless other funds are legally available and appropriated for timely payment of the Series 2014 Bonds.

Bondholders’ Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner of, or by any paying agent for, a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor of the Commonwealth of Virginia (the “Commonwealth”) shall forthwith conduct a summary investigation. If such default is established to the Governor’s satisfaction, the Governor shall immediately order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal, premium, if any, and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions Section 15.1-227.61 and Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessors Section 15.1-227.61 or Section 15.1-225 has been approved by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of the predecessor provisions. The City received a total of \$5,589,285 in General Fund revenues and \$5,517,878 in School Operating Fund revenues from the Commonwealth during the fiscal year that ended June 30, 2014.

Neither the Series 2014 Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal, premium, if any, or interest, a Bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the Series 2014 Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Series 2014 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Although Commonwealth law does not currently authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the “Bankruptcy Code”) if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on Bondholders including, but not limited to (a) delays in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Series 2014 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the “indubitable equivalent” thereof, although such plan may not provide for payment of the Series 2014 Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The City has never defaulted in the payment of either principal or interest on any debt obligation.

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2014 Bonds, payments of principal of, premium, if any, and interest on the Series 2014 Bonds to DTC (defined below), its nominee, Direct and Indirect Participants (defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2014 Bonds and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2014 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S.

securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2014 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2014 Bonds and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2014 Bonds within an issue or a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds, unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest and any premium payments on the Series 2014 Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary

practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. **The City cannot and does not give any assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.**

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2014 Bonds are required to be prepared, executed and delivered.

The foregoing information in this section concerning DTC and DTC’s book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the City or Series 2014 Bond certificates are required to be prepared, executed and delivered.

Neither the City nor the Registrar has any responsibility or obligation to Direct Participants, Indirect Participants or Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant, (b) the payment by DTC or any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2014 Bonds, (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Series 2014 Bonds to be given to Bondholders, (d) the selection of the Beneficial Owners to receive payments upon any partial prepayment of the Series 2014 Bonds or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2014 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of the Series 2014 Bonds for all purposes under the Ordinance and the Resolution.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2014 Bonds without the consent of Beneficial Owners or Bondholders.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Series 2014 Bonds will be subject to the approving opinion of McGuireWoods LLP, Tysons Corner, Virginia, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Series 2014 Bonds (the “Bond Opinion”). The Bond Opinion will be limited to matters relating to the authorization and validity of the Series 2014 Bonds and to the tax-exempt status of interest thereon as described in the following section. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Series 2014 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2014 Bonds.

Tax Exemption

Opinion of Bond Counsel; Federal Income Tax Status of Interest

The Bond Opinion will state that, under current law, interest on the Series 2014 Bonds (including any accrued “original issue discount” properly allocable to the owners of the Series 2014 Bonds) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the Series 2014 Bonds must be included in computing adjusted current earnings. See Appendix B – Proposed Form of Opinion of Bond Counsel.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2014 Bonds.

The Bond Opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel’s judgment as to the proper treatment of interest on the Series 2014 Bonds for federal income tax purposes. The Bond Opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the IRS”). The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its Bond Opinion, Bond Counsel is relying upon certifications of representatives of the City and other parties as to facts material to the Bond Opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2014 Bonds in order for interest on the Series 2014 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2014 Bonds and the use of the property financed or refinanced by the Series 2014 Bonds, limitations on the source of the payment of and the security for the Series 2014 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2014 Bonds to the United States Treasury. Prior to the issuance of the Series 2014 Bonds, the City will execute and deliver a tax certificate with respect to the Series 2014 Bonds (the “Tax Certificate”) that contains certain covenants (the “Covenants”) with which the City has agreed to comply. Failure by the City to comply with the Covenants could cause interest on the Series 2014 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2014 Bonds from becoming includible in gross income for federal income tax purposes.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2014 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2014 Bonds.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2014 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2014 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2014 Bonds.

Prospective purchasers of the Series 2014 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2014 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any owner of a Series 2014 Bond who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a Series 2014 Bond who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of interest on the Series 2014 Bonds from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The “original issue discount” (“OID”) on any 2014 Bond is the excess of such bond’s stated redemption price at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of such Series 2014 Bond. The “issue price” of a Series 2014 Bond is the initial offering price to the public at which price a substantial amount of such Series 2014 Bonds of the same maturity was sold. The “public” does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Series 2014 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of Series 2014 Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Series 2014 Bonds with OID (the “OID Bonds”) represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have

accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Effect of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2014 Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Series 2014 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2014 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2014 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes.

The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify

the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2014 Bonds, regulatory interpretation of the Code or actions by a court involving either the Series 2014 Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2014 Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2014 Bonds.

Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel — Virginia Income Tax Consequences

The Bond Opinion will also state that, under current law, interest on the Series 2014 Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Series 2014 Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2014 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2014 Bonds in a particular state or local jurisdiction other than the Commonwealth.

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SECTION THREE: CITY OF FALLS CHURCH, VIRGINIA

General Description

Form and Organization of Government

The City of Falls Church has been governed under the Council-Manager form of government since becoming a city in 1948. Under this form of government, the Council appoints a City Manager to serve as chief executive officer of the City. The City Manager serves at the pleasure of the Council, implements its policies, appoints department heads, and directs business and administrative procedures. The members of Council serve four-year overlapping terms with certain members of Council elected every two years. The Mayor and Vice Mayor are elected by the members of Council every two years. As a Commonwealth of Virginia city, the City is independent and not a part of any county. In Virginia, cities and counties are not overlapping units of government and provide governmental services separately. The City provides the usual governmental services such as general administration, police, fire, streets, sanitation, health and social services, education, recreation, library, planning and community development. These services are either provided directly by the City or through contracts with the Counties of Arlington and Fairfax. See “Government Services and Facilities – Public Utilities” in SECTION THREE.

The operation of public schools in the City is vested in a seven-person School Board. Under Virginia law all operations of the School Board are completely independent of the Council and the City administration. Members of the School Board are elected at large by the voters for four-year terms. The City Council determines the amount of the annual appropriation to the school system but has no direct authority over how the appropriation is to be spent. A superintendent is appointed by the School Board to administer the operations of the City’s public schools.

In addition to the elected Council and School Board, three constitutional officers are elected. These officers include the Treasurer, the Commissioner of Revenue and the Sheriff.

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Principal Executive Officers

<u>Officials</u>	<u>Manner of Selection</u>	<u>Length of Service with City</u>	<u>Term</u>	<u>Expiration</u>
<u>City Council Members</u>				
Mayor David Tarter	Elected by voters and City Council	2 years	3.5 years	12/31/15
Vice Mayor David F. Snyder	Elected by voters and City Council	14 years	4 years	12/31/17
Dan Sze	Elected by voters	5 years	4 years	12/31/17
Phil Duncan	Elected by voters	2 years	3.5 years	12/31/15
Karen Oliver	Elected by voters	1 year	4 years	12/31/17
Marybeth Connelly	Elected by voters	1 year	4 years	12/31/17
Nader Baroukh	Elected by voters	6 years	3.5 years	12/31/15
<u>Other Elected Officials</u>				
Sheriff S. Stephen Bittle	Elected by voters	22 years	4 years	12/31/17
Commissioner of the Revenue Thomas D. Clinton	Elected by voters	12 years	4 years	12/31/17
City Treasurer Jody Acosta	Elected by voters	8 years	3.5 year	12/31/17
<u>Certain Administrative Staff</u>				
City Manager F. Wyatt Shields	Appointed by City Council effective July 27, 2006	8 years	Serves at the pleasure of City Council	
Assistant City Manager Cindy Mester	Appointed by City Council effective January, 2007	7 years	Serves at the pleasure of City Manager	
Director of Finance Richard A. La Condre	Appointed by the City Manager effective December 6, 2010	4 years	Serves at the pleasure of the City Manager	
City Attorney Carol W. McCoskrie	Appointed by City Council effective September 29, 2014	2 months	Serves at the pleasure of City Council	

Certain Administrative Staff Members

F. Wyatt Shields was appointed by the Falls Church City Council as City Manager on July 27, 2006. Mr. Shields was the City's Assistant City Manager for three years before his appointment as City Manager. Prior local government management experience includes five years as Manager for the Town of Scottsville, Virginia (1998-2003). He previously served as a legislative aide to U.S. Senator Charles S. Robb (1991-1995) and worked in the government relations division for Dominion Virginia Power (1996). Mr. Shields is a graduate of the Lyndon B. Johnson School of Public Policy at the University of Texas (Master's Degree in Public Affairs) and the University of Virginia.

Cindy L. Mester was hired by the City of Falls Church in April 2005 as the Community Services General Manager and in 2006 was appointed the Assistant City Manager. The City's Assistant City Manager is responsible for Information Technology Services, Federal and State Legislative Services, Community Non-profit Liaison Projects, and the Capital improvement Plan (CIP). Mrs. Mester is a graduate of Longwood University (1982) with a B.S. in Therapeutic Recreation and George Mason University (1989) with a M.Ed. in Community Agencies: Counseling and Guidance and has completed course requirements for the Virginia Tech Local Government Managers MPA certificate program (2012).

Richard A. La Condré was appointed Director of Finance in December 2010. Prior to coming to Falls Church, he was the Deputy Director of Finance for the City of Tallahassee, Florida for two and a half years. From 1996 to 2006 he served as the Director of Finance for Sullivan County, New York. He received his BBA in Business Administration (major in accounting) from the City University of New York (Bernard M. Baruch College) in 1975. In August 2003 he received his MPA from Marist College. He is a licensed, active Certified Public Accountant in the State of New York since November 1980.

Carol W. McCoskrie was appointed by the City Council as City Attorney effective September 29, 2014. She came to the City from the office of the County Attorney of Arlington County, Virginia. Ms. McCoskrie replaces Mr. J. Patrick Taves, who had served as interim City Attorney since December 2, 2013. Ms. McCoskrie serves as the chief legal advisor to, and manages the legal affairs of, the municipal government. Her responsibilities include the rendering of opinions, and the drafting, approval and interpretation of all ordinances, resolutions, contracts, leases, and other legal documents. Before her appointment as City Attorney, Ms. McCoskrie had served as an Assistant County Attorney in Arlington County for over 24 years. She is a member of the Virginia State Bar, the Local Government Attorneys of Virginia and the Arlington County Bar Association. She received a Bachelor of Sciences degree from the Bryn Mawr College in Pennsylvania and Doctor of Jurisprudence degree from the University of Virginia School of Law.

City Employees as of September 30, 2014:

The number of persons employed by the City is set forth in the table below.

	<u>General</u>	<u>Schools</u>	<u>Total</u>
Full Time	134	400	534
Part Time	108	57	165
Total	242	457	699

Source: Finance Division, Superintendent of Schools.

Government Services and Facilities

Introduction

The City provides general governmental services for its citizens including police and fire protection, collection and disposal of refuse (by contract), stormwater and sanitary sewer services, parks and recreation, libraries/culture, health and social services, and maintenance of streets and highways. Other services provided by the City, which receive partial funding from the State, include public education in grades kindergarten through twelve and certain technical, vocational and special education, mental health assistance, agricultural services, and judicial activities.

Public Schools

A seven-member School Board is elected to serve staggered four-year terms of office. The School Board contracts for a School Superintendent and is responsible for the operations of the school system in accordance with Virginia laws, regulations of the State Board of Education, and the policies and regulations of the School Board. The Superintendent recommends, and the School Board appoints, staff members who operate the school system. The current Superintendent is Dr. Toni Jones who joined the school system July 1, 2011.

The School Board presents an annual budget request to the Council. The Council can appropriate a different total amount for school operations but has no authority over the specifics of how the actual appropriation is spent. The School Board is not empowered to levy taxes or incur indebtedness. The public school capital facilities are titled in the name of the City of Falls Church School Board and are funded by capital appropriations and the issuance of general obligation bonds by the Council. Although there is outstanding debt on a school building, the asset will be reflected on the City-side of the ledger for accounting purposes. Once the debt is paid, the corresponding asset will be transferred to the School side.

The City is in the final stages of expanding and renovating Thomas Jefferson Elementary School under the Public Private Education Facilities Act (PPEA) as well as constructing a preschool facility, the Jessie Thackrey Preschool. The City has decided to work with Hess Construction as a partner using a “not to exceed” contract. All funding for the \$9,950,000 elementary school project (Addition phase - \$5.95 million; Renovation phase - \$4.0 million) has been obtained from a combination of City bond sales and a sale of Qualified School Construction Bonds issued by the Virginia Public School Authority. Funding for the \$2.4 million preschool facility has been obtained from City general obligation bond sales. In 2015, the City is also expanding Mt. Daniel Elementary School. This project, to be funded primarily with proceeds of the Series 2014 Bonds, will add 65,820 square feet of new space which will include a library, cafeteria, gym and classroom spaces. The building is planned to house Kindergarten, First and Second grades with twelve classrooms for each grade level. The estimated project cost is \$15,600,000.

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The following tables present certain information regarding the staffing, enrollment and facilities of the City of Falls Church Public Schools.

Data on Existing Public Schools

<u>School</u>	<u>Grade</u>	<u>Site Size</u>	<u>Original Construction Date</u>	<u>Date of Additions/ Renovations</u>	<u>Maximum Optimum Capacity</u>	<u>Enrollment (as of 9/30/14)</u>
Jessie Thackrey Preschool	Pre-K		2014	N/A	105	45
Mt. Daniel Elementary School	PK-1	7.5 Acres	1955	1990	275	364
Thomas Jefferson Elementary School	2-5	7.1 Acres	1945	2014	750	758
Mary Ellen Henderson Middle School	6-8	3.0 Acres	2005	N/A	600	538
George Mason High School	9-12	21.8 Acres	1952	1995	700	751

Staffing*

	<u>2005- 2006</u>	<u>2006- 2007</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>	<u>2013- 2014</u>	<u>2014- 2015</u>
Teachers										
and Administrators	211.0	213.4	216.7	222.9	224.8	221.6	221.8	236.2	252.3	270.8
Other Employees	149.2	148.8	149.7	144.3	144.5	144.9	144.9	156.7	167.1	167.3
Total Employees	360.2	362.2	366.4	367.2	369.3	366.5	366.7	392.9	419.4	438.1

*In full-time equivalency.

Source: Superintendent of Schools, City of Falls Church, Virginia.

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Actual and Projected Average Daily Student Enrollment by Grade
Projections prepared by Falls Church Public Schools – As of September 30, 2014

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Preschool	0	0	0	0	0	0	0	45	50	53	56	58	60
Pre-K	34	26	26	33	33	36	36	0	0	0	0	0	0
K	117	138	143	139	165	169	201	159	160	166	168	167	169
1	<u>136</u>	<u>120</u>	<u>146</u>	<u>156</u>	<u>152</u>	<u>174</u>	<u>182</u>	<u>205</u>	<u>170</u>	<u>175</u>	<u>176</u>	<u>177</u>	<u>177</u>
MD Total	287	284	315	328	350	379	419	364	330	341	344	344	346
2	139	137	127	149	157	156	182	184	211	179	180	180	181
3	137	154	142	135	160	167	167	202	199	234	194	195	196
4	139	136	154	155	147	161	181	172	215	216	246	205	205
5	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>175</u>	<u>200</u>	<u>188</u>	<u>241</u>	<u>236</u>	<u>269</u>	<u>225</u>
TJ Total	415	427	423	439	464	484	705	758	813	870	856	849	807
5	143	147	153	162	170	160	0	0	0	0	0	0	0
6	146	150	146	153	173	174	168	183	208	201	251	246	281
7	154	158	152	157	158	173	182	170	190	219	206	258	253
8	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>190</u>	<u>185</u>	<u>187</u>	<u>212</u>	<u>241</u>	<u>222</u>	<u>278</u>
MH Total	443	455	451	472	501	507	540	538	585	632	698	726	812
8	158	165	174	166	165	190	0	0	0	0	0	0	0
9	144	172	170	188	175	181	205	193	198	204	226	254	234
10	161	143	171	169	188	180	185	207	196	206	208	230	258
11	155	160	142	181	161	187	177	179	205	197	204	204	226
12	<u>177</u>	<u>161</u>	<u>171</u>	<u>144</u>	<u>174</u>	<u>164</u>	<u>190</u>	<u>172</u>	<u>178</u>	<u>209</u>	<u>197</u>	<u>203</u>	<u>202</u>
GM Total	795	801	828	848	863	902	757	751	777	816	835	891	920
TOTAL	1,940	1,967	2,017	2,087	2,178	2,272	2,421	2,456	2,555	2,712	2,789	2,868	2,945
	40	27	50	70	91	94	149	35	96	157	77	79	77
Annual Growth	+2.11%	+1.39%	+2.54%	+3.47%	+4.36%	+4.32%	+6.56%	+1.45%	+3.90%	+6.14%	+2.84%	+2.83%	+2.68%

Source: Superintendent of Schools, City of Falls Church, Virginia.

Public Utilities

The Falls Church Department of Public Works is responsible for the operation of a sanitary and storm sewage collection system serving the City.

The City provides wastewater sewer service within the City. The City has ongoing agreements with both Arlington County and Fairfax County to dispose of wastewater. These agreements are to reserve sufficient treatment capacity for the City's needs.

The City established an enterprise fund for the stormwater system in 2013. This was done to create an adequate, sustainable source of revenue for stormwater management in order to protect the general health, safety, and welfare of the residents of the city. The main revenue stream for the fund is a user fee based on a property's amount of impervious surface (e.g. roof, driveway, patio). The current billing rate is \$18.00 per 200 square feet of impervious surface. The fee is used to provide stormwater engineering and operations services and fund capital projects.

The stormwater and sanitary sewer utilities were established as separate enterprise funds independent of the City's General Fund and are entirely dependent upon revenues generated by the utility operations for their expenses and other financial requirements. The sewer systems serves 2.2 square miles and 13,000 City residents. In the fiscal year that ended June 30, 2014, the stormwater system generated a net loss before transfers of \$275,664 but received transfers from the General Fund for operating and capital expenditures and capital assets in the amount of \$4,057,579. For the same period, the sewer system generated a net income of \$1,390,565.

The City's sewer system had outstanding general obligation bonds of \$7,340,647, revenue obligation bonds of \$2,243,020 and a note payable of \$2,896,161 as of June 30, 2014. The City's stormwater system had outstanding general obligation bonds of \$780,000.

On January 3, 2014, as approved by the voters in a referendum on November 5, 2013, the City closed on the sale of its water system to Fairfax County Water Authority (FCWA). Key terms of the sale included: Payment by FCWA of \$40 million to the City; the City retained undesignated cash in the system of no more than \$3 million; the City conveyed all water system assets to FCWA, including water towers, pump stations, water mains, and equipment; the City conveyed all accumulated developer connection fees; boundary was adjusted between Fairfax County and City limits bringing 38 acres of City-owned land into the City limits; City employees are guaranteed jobs at FCWA for a period of no less than three years at comparable pay and benefits; the City retained liabilities including notes and bonds payable and unfunded liabilities for pension and other post-employment benefits (OPEB) for retired water utility employees; the City retained pension assets and liabilities for retired water utility employees and conveyed pension assets and liabilities for current water system employees to FCWA. Liabilities for bonds and notes were liquidated by the City using sale proceeds. The City also placed money into the pension and OPEB trust funds for the water utility portion of the unfunded liability.

Sewer and Stormwater Rates

Sewer

\$9.40 per 1,000 gallons of water used based on winter quarter usage for residential customers.

Stormwater

\$18.00 per 200 square feet of impervious surface.

Solid Waste Disposal Service

The City contracts with American Disposal Service to provide solid waste collections (trash, recycling and yard waste) for approximately 3,100 residential customers. The City contracts with Fairfax County for waste incineration and ash disposal. In addition, the City manages one recycling drop-off center. The State of Virginia requires municipalities under 90,000 in population to report waste diversion rates every four years. Although not required to do so for calendar year 2013, the City provided waste diversion rates to the State and received an approved recycling rate of 61%. These results put the City in the highest 10% of the State.

Public Safety

Public Safety in the City of Falls Church consists of the Falls Church City Police Department and Fire and Rescue Services contracted with the Arlington County Fire Department. The Police Department is organized in two divisions, the Operations Division and the Services Division. An additional complement of Public Safety Services within the organization is the Office of Emergency Management/ Fire Marshall Position that is a direct report to the Chief of Public Safety.

The Falls Church City Police Department was most recently reaccredited in August 2012, by the Virginia Law Enforcement Professional Standards Commission. The Department's FY2015 staffing level includes 32 sworn Police Officers, 1 sworn Fire Marshall and 11.5 civilian employees.

The City of Falls Church is a member of a regional juvenile detention commission that operates the Northern Virginia Juvenile Detention Center. The City consumes an average of 2.69% of the available detention space. The City also contracts Adult Detention Services with the Arlington County Adult Detention Facility. The City consumes, on average, 5% of that available detention space.

Fire and Rescue Services are provided through non-City agencies with which the City has formal contracts. Through the Falls Church Volunteer Fire Department, the City has the services of the volunteer personnel and their equipment. The City and Arlington County jointly built a new fire station and the Arlington County Fire Department provides the personnel which operate the equipment. The City is covered by the Northern Virginia Agreement of Fire and Rescue Service, which has interjurisdictional response based on the closest station. This means Station 6 (Falls Church) responds to calls in Arlington and Fairfax Counties as well as within the City.

Health and Welfare

The City, in joint operations with Fairfax County, provides a wide array of human services designed to protect and promote the health and welfare of its citizens. The health department stresses preventive health care through diagnostic and treatment services and provides geriatric, maternal and family planning services. The enforcement of sanitary regulations protects the environmental health of the public by inspection of public and commercial establishments.

The social services department provides information and referrals, adult and child protection services, counseling services, and emergency assistance services, in addition to foster care and services for aged and disabled adults. Mandated financial assistance such as Aid to Dependent Children, General Relief, Auxiliary Grants to Aged, Blind and Disabled, and Food Stamps are provided by federal, Commonwealth and City funds.

The Fairfax-Falls Church Community Services Board (CSB) incorporates mandated mental health, developmental disability, alcohol and drug abuse, and infant toddler connection/developmental screening programs. The goal of these programs is to provide specific services to enable City residents to meet treatment needs and to provide programs that will empower them to live a self-determined and productive life.

Community Facilities

The Falls Church Recreation and Parks Department oversees 12 neighborhood parks and playgrounds situated on approximately 35 acres. The Department offers year-round programs of recreational and leisure-based activities for all City residents. These programs include a wide variety of cultural and hobby classes, athletic leagues, special events, and trips. The Department also is responsible for maintaining, protecting and enhancing the parks and open space areas throughout the City. Park improvement projects are ongoing through the City's Capital Improvement Program. Department facilities include: the Senior Center, the Community Center, the Cherry Hill Farmhouse and grounds, one full size synthetic turf playing field, twelve neighborhood parks, four full court basketball courts, ten tennis courts, and many other park amenities such as gazebos, shelters, and playground structures. The Department is also responsible for the maintenance of smaller open space areas as well as all school grounds bringing the total area of maintenance to approximately 75 acres. Much of this maintenance is handled through the City's urban forestry crew, under the direction of the City Arborist.

Economic Development

The Local Marketplace and Mixed-Use Development

The City of Falls Church has benefited from an unprecedented wave of new development and investment that has occurred along its primary commercial corridors over the past decade. The Broadway (2003), Byron (2006), Read Building (2007), Pearson Square (2007), Spectrum (2008), and Northgate (2014) have followed a pattern of higher-density, mixed-use development on underutilized infill sites. Collectively these projects produce an estimated \$6.1 million in gross revenue and \$2.9 million in net revenue for the city annually.

Commercial space in the six mixed-use buildings is 93 percent occupied and each is at or approaching full residential occupancy. The Spectrum, with 32,000 square feet of condo office space, recently sold its final available suite. The Tax Analysts Building, a physically detached component of the Pearson Square project on South Maple Avenue, contains 85,000 square feet of Class A office and retail space that is 95 percent occupied. Financed by an Industrial Revenue Bond issued by the Falls Church Economic Development Authority, it was the largest office building constructed in the city in 20 years when it was delivered to market in 2008. A nonprofit publisher of printed and online material, Tax Analysts is also one of the city's largest employers.

Office Trends

Office space in the City of Falls Church is more than 50 years old, on average, according to CoStar, which also reports the average rent at \$21.68 per square foot (full service). Newer space, which is scarce, averages about \$30 per square foot, full service. The low cost of office space in the city explains, in part, a low vacancy rate – 8.4 percent – through the second quarter of 2014. By comparison, the closest Northern Virginia submarkets in Fairfax County and Arlington average 11 – 15 percent vacancy, with rents ranging from \$23 – 28 per square foot.

The City's convenient location also contributes to a high occupancy rate. Developers consistently advise, however, that the Falls Church submarket does not support full-service rent of \$40 per square foot, a threshold amount they say would justify construction of new office space with structured parking. Whether this dynamic would change for Class A office space built close to the West Falls Church Metro station is an unanswered question.

In 2013, office property at 510 N. Washington Street was purchased by a proxy for Inova Health Systems as a mid-range real estate 'hold' and long-term health facility development opportunity. Properties at 500/501 Annandale Road were sold to Pulmonary and Medical Associates, one of Northern Virginia's largest

medical practices, with 20,000 patients; the group moved to Falls Church from a location in Arlington and rehabilitated two buildings for their use and to sublease. Two professional sports care practices have opened at 502 W. Broad Street and a primary care medical practice has leased space at 513 W. Broad. The Kerns Group of architects purchased and renovated the former Odd Fellows Building on N. Maple Avenue in 2013 for their headquarters with space available for retail or office sublease. The city is experiencing a significant trend in attracting medical practices and has long supported a strong market for small professional office tenants.

The “Flower Building,” located in the 800 block of W. Broad Street, was completed in 2009 and is fully occupied with a mix of all-commercial uses. The 44,000-square-foot office and retail building houses the Falls Church U.S. Postal Service customer center, two restaurants, and multiple office tenants. This building is an example of infill development made possible by the spinoff effect of larger mixed-use projects that have created density, as well as greater consumer and office tenant interest throughout the city’s commercial districts.

Retail Trends

Scarce than available office space in the City of Falls Church is vacant space for retail. As it occasionally becomes available, this space is quickly backfilled, and at higher rent. The vacancy rate for retail space in the city is estimated at about 3 – 5 percent. CoStar reports average retail rent in the city at \$22.70 (triple net) through the second quarter of 2014. This does not include far higher rates for space at the Eden Center, which is not reflected in CoStar data.

BJ’s Wholesale Club opened its 87,000-square-foot Falls Church store in fall 2010. It signed a 20-year lease on an eight-acre former light industrial site on Wilson Boulevard. This deal was facilitated by an agreement between the city and developer JBG Rosenfeld Retail to share a portion of taxes generated by the new store over a 12-year period. It was the second largest retail lease signed in the entire Washington, DC region in 2009. Sales performance through June 2013 has been closely followed and the Falls Church BJ’s has proven consistent with initial revenue projections, now ranking second only to Giant grocery in sales tax revenue for the city.

Restaurants have been the source of greatest demand for space in Falls Church. In the past few years Einstein Brothers Bagels, Pizzeria Orso, Chipotle, Pisano’s, Sfizi, Famous Dave’s Barbeque, Honeybaked Ham, Mad Fox, Space Bar, Moby Dick’s, Caribbean Plate, Curry Mantra 2, Subway, Dunkin’ Donuts, four frozen yogurt shops, and others have opened, bolstering the city’s meals tax revenue. The city is seeing some popular existing restaurants expand to offer outdoor and rooftop dining, with others planning to follow suit.

In 2012, California-based 24-Hour Fitness opened its second facility in the Washington, DC region in Falls Church. The company invested more than \$7 million to convert a former Syms clothing store into a state-of-the-art fitness and training center. Falls Church Cross Fit backfilled empty light industrial space on the city’s north side and Five Rings Fitness has opened on S. Washington Street. Dominion Jewelers has transitioned from tenant to owner/operator in a building recently completed on W. Broad Street that functions as its headquarters and store, with additional office space available for lease.

A two-story building at 101 Annandale Road, damaged by fire in 2010, has been rebuilt and filled with a variety of new office, retail and restaurant tenants. Across the street, at 300 S. Washington, a blighted set of commercial buildings has been rehabilitated by a new owner, who has leased space to Smashburger as well as other restaurant and retail tenants.

Other New Development

In August 2014 Hilton Garden Inn opened on Broad Street, the city’s first new hotel since 1999. The hotel has 110 rooms, a conference center, restaurant, and numerous amenities for an extended stay clientele. Next door, a Burger King restaurant will be replaced by a five-story assisted living facility with ground level

retail. The “Kensington” was approved by City Council in May 2014. On Hunton Avenue, Easter Seals Child Development Center completed renovation of a light industrial building to serve preschoolers, including children with disabilities and families of armed service veterans. The new facility also was financed with an Industrial Revenue Bond issued by the Falls Church EDA.

Pipeline Projects

Two major mixed-use projects were approved by the city in 2013. Rushmark Development Company will build a \$104 million mixed-use development featuring a 60,000 square foot Harris Teeter grocery store, 288 small apartments, and underground parking at 301 W. Broad Street. Lincoln Property Company is building a \$77 million mixed-use project in the 500 block of S. Washington Street featuring 224 small apartments, 40,000 square feet of commercial space, including a Fresh Market grocery store, and underground parking. Both projects are expected to be completed in 2016.

An application has been filed for a large mixed-use project on four acres at the northeast corner of West and Broad streets. “Mason Row” would consist of more than 300 apartments and condos, with a Hilton Home2 extended stay hotel and about 46,000 square feet of retail space.

Post-recession years have brought intense activity from investors pursuing land assembly and higher density development opportunities in Falls Church. The multi-family residential market is very strong for new rental housing, especially smaller units targeted to young professionals in the Washington, DC area. The city aggressively seeks to capture investment and new development with the right mix of uses to strengthen, broaden and balance its tax base.

The Eden Center

One of the most significant commercial success stories in Falls Church and, indeed, the metropolitan Washington region, is the Eden Center on Wilson Boulevard. The center is Northern Virginia’s premier Asian shopping destination, with over 130 businesses. Its Vietnamese restaurants, eclectic array of shops, vendors and cultural events regularly draw chartered buses from surrounding states and Canada. Owners of the center have signed a lease with Good Fortune, a New York-based Asian grocery store, to occupy 43,000 square feet of space; the grocery will open in fall 2014.

Commissioner of the Revenue

The Commissioner of Revenue is responsible for the assessment of personal property, public utilities and bank franchise taxes, as well as the processing of business licenses. The Commissioner is also responsible for assisting taxpayers in filing and reviewing tax forms for the Commonwealth of Virginia.

Treasurer

The Treasurer is responsible for the collection of all taxes, licenses, fees and receipt of all other City revenues and collections. The Treasurer processes applications for tax relief based on age or handicap. The Treasurer is also responsible for all state fiduciary income and state estimated income taxes.

Demographic and Economic Information

The City, with a land area of 2.2 square miles is located in the eastern portion of the Northern Virginia Planning District Commission (“PDC”). The Northern Virginia PDC includes four counties, five independent cities, and five incorporated towns. The Northern Virginia PDC has an estimated population of approximately 2,325,903.

Transportation

The City is served by an extensive multimodal transportation network. The City is strategically situated along two interstate highways, at the intersection of two major arterial highways, and close to two Metrorail Lines. Additionally, two major airports are within 20 miles of the City. The substantial transportation network provides access to and from business, recreational, and cultural interests.

The City's highway and road network provides access to the federal government, as well as numerous business centers, retail centers and cultural and entertainment centers in the region. Interstate 66 is located along the City's northern boundary, and it provides access to downtown Washington, D.C., the Rosslyn-Ballston corridor in Arlington, Virginia, and points west of Northern Virginia. The Capital Beltway I-495 runs just 2 miles west of the City, and it provides access to the Metropolitan Area and Interstate 95. In addition to interstate highways, state highways Route 7 – Leesburg Pike and Route 29 – Lee Highway intersect in the City's downtown area. These highways provide access to Tysons Corner, Virginia and several smaller commercial districts.

The City is served by two Metrorail stations – East Falls Church and West Falls Church. Metrorail is operated by Washington Metropolitan Area Transportation Authority (WMATA). The two stations accommodate parking for 1,488 automobiles. Metrorail provides convenient travel to downtown Washington, D.C., the Rosslyn-Ballston corridor in Arlington, Virginia, and other points in Northern Virginia and suburban Maryland. The system also provides access to Reagan National Airport and Union Station in downtown Washington, D.C. Amtrak train service operating out of Union Station provides frequent service along the Atlantic seaboard including high-speed Acela service to Boston, New York, and Philadelphia. The recently opened "Silver Line" provides direct service to Tysons Corner and Reston, Virginia. A second phase of the line will provide rail service to Dulles International Airport. This new line makes the East Falls Church station a hub station, and, therefore, the area around it an attractive location for development and businesses.

Reagan National Airport is located 9 miles from the City and Dulles International Airport is located 19 miles from the City. Both airports provide extensive domestic service and Dulles is a major international air hub.

In addition to Metrorail, Metrobus (also operated by WMATA) provides service to the City. Available along major roadways in the City, Metrobus connects the City to Washington, D.C. and other major points throughout Northern Virginia.

Employment

Retail trade and restaurants are an important component to the City's work force. According to the Virginia Employment Commission's *Community Profile* for the City, 1,173 persons are employed in retail trade. Other primary business activities in the City include healthcare and social assistance, professional, scientific and technical services.

The following is a list of the ten largest employers located within the City:

Ten Largest Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Approximate Current Employment</u>
City of Falls Church	Government & Schools	813
BG Healthcare Services	Healthcare	280
Kaiser Permanente	Healthcare	265
Tax Analysts	Nonprofit Publisher	182
Koon's Ford & Nissan	Automotive	163
VL Home Health Care, Inc.	Healthcare	160
Giant Food Store	Grocery	130
Care Options	Healthcare	127
BJ's Wholesale Club	Retail	125
Don Beyer Volvo	Car Dealer	116

Source: Falls Church Economic Development Office and Finance Office.

The following tables present comparative information regarding employment statistics.

Annual Unemployment Rates

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
City of Falls Church	4.4%	4.3%	4.0%	3.9%	3.7%
Commonwealth of Virginia	7.1	6.4	5.9	5.5	5.2
United States	9.6	8.9	8.1	7.4	6.3

⁽¹⁾ Unemployment rates for August 2014. All numbers are not seasonally adjusted.

Source: Virginia Workforce Connection.

Annual Employment

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
City of Falls Church	6,895	7,147	7,237	7,261	7,498
Commonwealth of Virginia	3,840,619	3,928,267	3,962,496	3,981,767	4,037,432
United States	139,064,000	139,869,000	142,469,000	144,509,000	146,600,000

Source: Virginia Workforce Connection.

⁽¹⁾ Based on monthly figures for September 2014. All numbers are not seasonally adjusted.

Annual Employment Growth

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> ⁽¹⁾
City of Falls Church ⁽²⁾	0.64%	3.65%	1.26%	0.33%	3.30%
Commonwealth of Virginia ⁽²⁾	-0.05%	2.28%	0.87%	0.49%	1.40%
United States ⁽³⁾	-0.58%	1.03%	1.86%	1.43%	1.62%

⁽¹⁾ Based on monthly figures for September 2014. All numbers are not seasonally adjusted.

⁽²⁾ Source: Virginia Employment Commission.

⁽³⁾ Source: U.S. Bureau of Labor Statistics.

Personal Income

The following tables present comparative information regarding income statistics.

Falls Church Median Family Income

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$103,500	\$106,100	\$107,500	\$107,300

Falls Church is part of the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area. The numbers presented above apply to all of that area.

Source: US Housing and Urban Development

Per Capita Income⁽¹⁾

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽³⁾	<u>2012</u> ⁽³⁾
Combined Area ⁽²⁾	70,145	67,010	67,776	70,371	71,607
Commonwealth of Virginia	44,900	44,063	44,854	47,126	48,377
United States	40,873	39,357	40,163	42,278	43,735

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

⁽¹⁾ Latest available data.

⁽²⁾ Combined area of the Cities of Falls Church and Fairfax and Fairfax County.

⁽³⁾ Most current statistics.

City Population

<u>Year</u>	<u>Population</u>
1960	10,192
1970	10,772
1980	9,515
1990	9,578
2000	10,377
2008	11,645
2009	12,054
2010	12,332
2011	12,731
2012	13,179
2013	13,508*

*As of July 1, 2013

Source: United States Bureau of Census, 1960-2000 and 2010-2013.

Weldon Cooper Center for Public Service, 2008 & 2009.

Retail Sales

Taxable Retail Sales and Taxable Retail Sales Per Capita

<u>Calendar Year</u>	<u>Population</u> ⁽¹⁾	<u>Taxable Retail Sales</u> ⁽²⁾	<u>Taxable Retail Sales Per Capita</u>
2004	10,709	\$258,153,466	24,106
2005	11,054	269,262,295	24,358
2006	11,104	312,350,454	28,130
2007	11,373	306,265,421	26,929
2008	11,645	271,857,839	23,345
2009	12,054	218,311,075	18,111
2010	12,332	231,846,823	18,800
2011	12,731	280,480,352	22,031
2012	13,179	296,350,322	22,487
2013	13,508	295,276,101	21,859

⁽¹⁾ 2004-2009, Weldon Cooper Center for Public Service; 2010-2013 U.S. Census Bureau.

⁽²⁾ Source: Weldon Cooper Center for Public Service. Data excludes automobile sales, automobile titling, prescription drug sales, A.B.C. store sales and gasoline sales.

Construction Activity

The following data is presented to illustrate construction activity in the City:

Building Permits and Value⁽¹⁾

<u>Calendar Year</u>	<u>Residential</u>		<u>Commercial & Industrial</u>		<u>Total</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2006	290	\$883,615	276	\$7,739,957	1212	\$8,840,504
2007	913	5,991,530	750	6,219,869	1663	12,211,399
2008	983	7,485,678	672	5,333,868	1655	12,819,546
2009	1285	8,302,329	970	10,780,080	2255	19,082,409
2010	1128	10,379,122	739	24,145,813	1867	34,524,938
2011	1214	8,251,010	805	30,218,550	2019	38,469,560
2012	1272	11,238,618	870	18,704,935	2142	29,943,553
2013	1250	13,696,747	892	21,304,642	2142	35,001,389
2014 ⁽²⁾	1243	16,215,802	755	130,663,323	1998	146,879,125

⁽¹⁾ One building permit does not necessarily equal to one residential unit; in many instances, one permit is for multiple residential units or remodeling.

⁽²⁾ As of October 3, 2014.

Source: Department of Development Services, City of Falls Church, Virginia.

Housing

The following table illustrates the trends in new housing that have occurred in the City.

Housing Profile

<u>Type of Structure</u>	<u>1990</u>		<u>1995</u>		<u>2000</u>		<u>2005</u>		<u>2010</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Single Family Detached	2,181	43.7%	2,174	43.2%	2,198	42.5%	2,351	40.4%	2,416	39.5%
Townhouse	386	7.7	419	8.3	542	10.5	569	9.8	569	9.3
Condo	448	9.0	563	11.2	564	10.9	990	17.0	1,183	19.4
Multi-Family	1,539	30.8	1,441	28.7	1,442	27.9	1442	24.8	1,442	23.6
Commercial	436	8.7	432	8.6	422	8.2	474	8.1	501	8.2
Total	4,990		5,029		5,168		5,826		6,111	

Source: Office of Real Estate Assessment, City of Falls Church.

Health Care

There are no hospitals located within the City, however, there are a number of general and specialized medical facilities in close proximity, including Virginia Hospital, and the INOVA Hospitals located in Fair Oaks, Fairfax, Alexandria, and Mt. Vernon. Kaiser Permanente, a health maintenance organization also has a clinic located in the City.

Higher Education

The University of Northern Virginia is located in the City. Other higher education institutions in the region include Northern Virginia Community College, Marymount University, George Mason University, the Northern Virginia Graduate Center, Georgetown University, American University, George Washington University and University of Maryland College Park.

The Northern Virginia Graduate Center, a partnership between the University of Virginia and Virginia Tech, was opened in 1997 to better serve the fast growing and technologically advanced community and the entire Metropolitan Washington, D.C. area. The Center offers state-of-the-art video telecommunications and computers and has entered into a partnership with the Falls Church public school system.

Northern Virginia Community College, established in 1965, is a comprehensive two-year institution that offers education up to the associate degree level in over 150 programs of study. Accredited by the Commission of Colleges of the Southern Association of Colleges and Schools, it is the largest institution of higher education in the Commonwealth of Virginia, and the third largest multi-campus community college in the United States.

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SECTION FOUR: FINANCIAL INFORMATION

Financial Management

Auditors

The audit for the fiscal year that ended June 30, 2013, was performed by the firm of Brown, Edwards, Company LLP of Harrisonburg, VA. See Appendix A for instructions on viewing the City's Comprehensive Annual Financial Report, including its audited financial statements, for fiscal year ended June 30, 2013.

Brown, Edwards & Company, LLP, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report described herein, any procedures on the financial statements addressed in that report. Brown, Edwards & Company, LLP also has not performed any procedures relating to this Official Statement.

Accounting System

The accounting systems of the City are organized and operated on a fund basis. Each fund is separate and operations are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Modifications to the systems have been made from time to time to conform with standards that are promulgated by the Governmental Accounting Standards Board (GASB).

Governmental Funds – Governmental funds, which include the City's General, Capital Projects, and Affordable Housing funds, are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues from the use of money and from intergovernmental reimbursement grants are recorded as earned. Other revenues are considered to be available when they are collectible within the current period or within 60 days thereafter. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized only when payment is due. General capital asset acquisitions are reported as capital outlays in governmental funds. Proceeds of general long-term debt acquisitions under capital leases are reported as other financing sources.

Proprietary Funds – The accrual basis of accounting is used for the City's proprietary funds, which include its Water and Sewer funds. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period for which the related liability is incurred.

Fiduciary Funds – The City's fiduciary funds include its Pension Trust funds, Other Post-Employment Benefit Trust funds and Agency funds. The contributions to the Pension Trust funds are recorded in the period in which contributions are due, and benefits paid to beneficiaries are recorded when due and payable. The Agency funds are custodial in nature and do not involve measurement of results of operations.

Budget Process

The City Charter requires the City Manager to submit a balanced General Fund budget to the City Council for adoption no later than the first meeting in May for the fiscal year beginning July 1. Each department within the City government is required to prepare and submit an estimate for the ensuing year's revenues and expenditures to the City administration by a date established by the City Manager. The City Manager, with the assistance of the Director of Finance, reviews the estimates and other data and recommends an annual budget to the City Council. This Budget may not exceed the estimated general fund revenues.

A public hearing on the budget is held after a synopsis of the budget is published in the local newspapers. After conducting public hearings, the City Council may change any item in the budget (other than debt service or items required by law). Based on the budget, the City Council sets tax rates for real and personal property. An appropriation ordinance must be adopted by the City Council no later than the first Council meeting in May.

Capital Improvements Program

The City annually develops a comprehensive Capital Improvements Program (CIP) for five fiscal years. Only the first year of the CIP is actually appropriated. The remaining four years are included for planning purposes and are subject to revision in future years.

Effective in FY2014, the state included in its legislation a new funding source for regional and local transportation expenditures, consisting of additional levies of transient occupancy tax, grantor's tax and sales tax. The funds are administered for the Northern Virginia region by the Northern Virginia Transportation Authority (NVTA). The City receives direct benefit for 30% of the revenues generated within its jurisdiction provided it dedicates an amount equivalent to 12.5 cents of its taxable assessed value for commercial and industry properties (C&I) towards eligible transportation expenditures. The other 70% is pooled with other jurisdiction's 70% funds and is granted to jurisdictions based on project eligibility criteria and as approved by NVTA.

On April 28, 2014, City Council approved the CIP for fiscal years 2015 through 2019, which includes capital expenditures for FY2015 of \$12,530,811 for general government projects, including transportation, \$8,250,000 for school projects, \$909,284 for sanitary sewer projects and \$1,160,000 for stormwater projects. It is estimated that \$12,452,284 will be bond-funded, \$5,618,811 will be grant-funded, \$2,915,000 will be funded with the new transportation funds, \$1,752,000 will be transferred from the General Fund and \$112,000 will be transferred from the Sewer Fund.

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Capital Expenditures

	FY2015	FY2016	FY2017	FY2018	FY2019	TOTAL
Gen Gov't IT	\$270,000	\$0	\$0	\$0	\$0	\$270,000
Public Safety	550,000	0	0	0	0	550,000
Gen Gov't Facilities	502,000	350,000	8,350,000	350,000	350,000	9,902,000
School Facilities	8,250,000	8,600,000	99,500,000	5,400,000	0	121,750,000
Recreation & Parks	1,275,000	200,000	1,348,000	1,860,000	200,000	4,883,000
Transportation	9,933,811	3,103,000	3,302,000	5,017,000	2,175,000	23,530,811
Sanitary Sewer Utility	909,284	7,123,519	1,486,519	1,028,549	1,013,549	11,561,420
Stormwater Utility	1,160,000	780,000	0	220,000	900,000	3,060,000
TOTAL	\$22,850,095	\$20,156,519	\$113,986,519	\$13,875,549	\$4,638,549	\$175,507,231

Sources of Financing

	FY2015	FY2016	FY2017	FY2018	FY2019	TOTAL
Debt	\$12,452,284	\$16,753,519	\$10,034,519	\$1,688,549	\$2,013,549	\$42,942,420
Grant/Other Revenues	5,618,811	1,300,000	2,550,000	4,887,000	1,355,000	15,710,811
NVTA Transportation Fund	2,915,000	908,000	932,000	320,000	0	5,075,000
School Financing Plan/Referendum Approval Based	0	0	99,500,000	5,560,000	0	105,060,000
"Pay As You Go"	1,864,000	1,195,000	970,000	1,420,000	1,270,000	6,719,000
TOTAL	\$22,850,095	\$20,156,519	\$113,986,519	\$13,875,549	\$4,638,549	\$175,507,231

Source: City of Falls Church, Finance Division.

Debt Administration

Pursuant to the Constitution of Virginia and the Public Finance Act, a city in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of the City is required to levy, if necessary, an ad valorem tax on all property in the City subject to local taxation. The issuance by cities in Virginia of bonds or other interest bearing obligations is subject to a limitation of ten percent of the assessed value of real property in the City subject to taxation as shown by the last preceding assessment for taxes. In determining the limitation, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum-approved general obligation bonds payable from a specific revenue producing undertaking and revenue bonds.

Payment of debt service on the general government and school bonded indebtedness shown below is provided from the General Fund of the City.

Statement of General Obligation Long-Term Debt

As of June 30, 2014

<u>Purpose</u>	<u>Amount Outstanding</u>
General Government	\$14,420,867
Schools	32,636,433
Stormwater	780,000
Sewer	<u>7,340,647</u>
Total Long-Term Debt as of June 30, 2013	\$55,177,947
Plus: Series 2014 Bonds	11,740,000
Total Long-Term Debt Upon Issuance of the Series 2014 Bonds	\$66,917,947

Source: City of Falls Church, Finance Division.

Authorized and Unissued Debt

The issuance of the Series 2014 Bonds was authorized by ordinance of the City Council enacted on July 14, 2014 and approved by referendum of the voters of the City on November 4.

Computation of Legal Debt Margin as of June 30, 2014

Total Taxable Assessed Value of Real Estate (Jan. 1, 2014)	\$3,572,162,553
Legal Debt Limit - 10% of Total Taxable Assessed Value of Real Estate	\$357,216,255
Less: Debt Subject to Limitation	
General Obligation Bonds	\$55,177,947
Notes Payable	<u>\$ 3,981,481</u>
Legal Margin for Creation of Additional Debt	\$298,056,827

Source: City of Falls Church, Finance Division.

**Debt Service Requirements on
Currently Outstanding General Obligation Debt
(As of June 30, 2014)**

	GENERAL IMPROVEMENT			SCHOOL BOARD			SANITARY SEWER & STORMWATER			TOTAL DEBT SERVICE		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$1,275,768	\$547,296	\$1,823,065	\$2,146,532	\$1,025,527	\$3,172,059	\$363,561	\$327,389	\$690,950	\$3,785,861	\$1,900,213	\$5,686,074
2016	1,181,633	494,138	1,675,771	2,343,367	937,000	3,280,367	379,424	311,077	690,501	3,904,424	1,742,215	5,646,639
2017	1,193,088	447,995	1,641,083	2,381,912	870,818	3,252,729	390,485	295,526	686,011	3,965,485	1,614,338	5,579,823
2018	1,214,544	401,194	1,615,737	2,500,456	792,384	3,292,840	396,751	279,613	676,364	4,111,751	1,473,190	5,584,941
2019	1,229,290	362,543	1,591,834	2,555,710	721,389	3,277,099	408,228	264,657	672,885	4,193,228	1,348,590	5,541,818
2020	1,205,746	321,269	1,527,015	2,594,254	661,844	3,256,098	424,924	248,502	673,426	4,224,924	1,231,614	5,456,539
2021	1,220,542	271,336	1,491,879	2,629,458	595,881	3,225,339	441,847	230,160	672,007	4,291,847	1,097,378	5,389,225
2022	1,240,289	220,713	1,461,002	2,669,711	529,306	3,199,017	454,003	211,401	665,404	4,364,003	961,420	5,325,424
2023	644,660	179,107	823,767	2,392,006	458,877	2,850,882	471,401	192,015	663,417	3,508,067	829,999	4,338,067
2024	634,660	149,414	784,074	2,437,006	392,425	2,829,431	484,049	171,796	655,845	3,555,715	713,634	4,269,350
2025	354,660	126,827	481,488	2,472,006	333,060	2,805,066	496,956	151,058	648,014	3,323,622	610,946	3,934,567
2026	354,660	112,454	467,114	777,007	291,745	1,068,751	515,129	130,503	645,632	1,646,796	534,702	2,181,498
2027	354,660	99,481	454,141	777,007	268,966	1,045,973	533,578	109,585	643,164	1,665,245	478,033	2,143,278
2028	354,660	86,321	440,981	682,007	247,998	930,004	547,313	87,585	634,898	1,583,980	421,903	2,005,884
2029	353,001	73,161	426,163	678,666	229,451	908,117	571,343	64,776	636,120	1,603,010	367,389	1,970,399
2030	353,001	59,604	412,605	678,666	210,352	889,018	446,653	42,016	488,669	1,478,320	311,973	1,790,293
2031	353,001	45,605	398,606	678,666	126,864	805,530	310,000	26,853	336,853	1,341,667	199,322	1,540,989
2032	348,001	31,621	379,622	511,999	43,191	555,190	320,000	13,709	333,709	1,180,000	88,522	1,268,522
2033	275,000	17,744	292,744	365,000	23,269	388,269	85,000	5,206	90,206	725,000	46,219	771,219
2034	280,000	5,950	285,950	365,000	7,756	372,756	80,000	1,700	81,700	725,000	15,406	740,406
Total	\$14,420,867	\$4,053,774	\$18,474,642	\$32,636,433	\$8,768,103	\$41,404,535	\$8,120,647	\$3,165,129	\$11,285,776	\$55,177,947	\$15,987,006	\$71,164,953

Source: City of Falls Church, Finance Division.

Note: Totals may not add due to rounding.

**General Obligation Debt Service Requirements
(Upon Issuance of the Series 2014 Bonds)**

	TOTAL DEBT SERVICE			THIS BOND ISSUE			ADJUSTED TOTAL DEBT SERVICE		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$3,785,861	\$1,900,213	\$5,686,074	\$0	\$0	\$0	\$3,785,861	\$1,900,213	\$5,686,074
2016	3,904,424	1,742,215	5,646,639	590,000	380,961	970,961	4,494,424	2,123,176	6,617,600
2017	3,965,485	1,614,338	5,579,823	590,000	346,881	936,881	4,555,485	1,961,219	6,516,704
2018	4,111,751	1,473,190	5,584,941	590,000	335,081	925,081	4,701,751	1,808,272	6,510,022
2019	4,193,228	1,348,590	5,541,818	590,000	323,281	913,281	4,783,228	1,671,871	6,455,099
2020	4,224,924	1,231,614	5,456,539	590,000	305,581	895,581	4,814,924	1,537,195	6,352,120
2021	4,291,847	1,097,378	5,389,225	590,000	284,931	874,931	4,881,847	1,382,309	6,264,156
2022	4,364,003	961,420	5,325,424	590,000	264,281	854,281	4,954,003	1,225,702	6,179,705
2023	3,508,067	829,999	4,338,067	590,000	240,681	830,681	4,098,067	1,070,680	5,168,748
2024	3,555,715	713,634	4,269,350	585,000	217,181	802,181	4,140,715	930,816	5,071,531
2025	3,323,622	610,946	3,934,567	585,000	190,856	775,856	3,908,622	801,802	4,710,423
2026	1,646,796	534,702	2,181,498	585,000	167,456	752,456	2,231,796	702,158	2,933,954
2027	1,665,245	478,033	2,143,278	585,000	149,906	734,906	2,250,245	627,939	2,878,184
2028	1,583,980	421,903	2,005,884	585,000	132,356	717,356	2,168,980	554,260	2,723,240
2029	1,603,010	367,389	1,970,399	585,000	114,806	699,806	2,188,010	482,195	2,670,206
2030	1,478,320	311,973	1,790,293	585,000	97,256	682,256	2,063,320	409,229	2,472,549
2031	1,341,667	199,322	1,540,989	585,000	79,706	664,706	1,926,667	279,028	2,205,695
2032	1,180,000	88,522	1,268,522	585,000	62,156	647,156	1,765,000	150,678	1,915,678
2033	725,000	46,219	771,219	585,000	44,606	629,606	1,310,000	90,825	1,400,825
2034	725,000	15,406	740,406	585,000	27,056	612,056	1,310,000	42,463	1,352,463
2035				585,000	9,141	594,141	585,000	9,141	594,141
Total	\$55,177,947	\$15,987,006	\$71,164,953	\$11,740,000	\$3,774,165	\$15,514,165	\$66,917,947	\$19,761,170	\$86,679,118

Source: City of Falls Church, Finance Division.

Note: Totals may not add due to rounding.

Debt Ratios
Ratio of General Bonded Debt to Assessed Valuation
and General Bonded Debt per Capita

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Assessed Value</u>	<u>General Bonded Debt</u>	<u>Ratio of Long-Term Debt To Assessed Value</u>	<u>Long-Term Debt Per Capita</u>
2005	10,942	\$2,640,802,014	\$47,171,034	1.79%	\$4,311
2006	10,970	3,060,773,542	46,160,418	1.51%	4,208
2007	11,214	3,385,030,450	43,644,216	1.29%	3,892
2008	11,460	3,467,505,392	55,647,780	1.60%	4,856
2009	11,711	3,348,374,691	53,395,295	1.59%	4,559
2010	12,332	3,190,829,880	55,501,873	1.74%	4,501
2011	12,332	3,217,077,566	57,337,550	1.78%	4,649
2012	12,960	3,317,078,442	61,543,047	1.86%	4,749
2013	12,960	3,437,667,013	57,528,137	1.67%	4,439
2014	13,508	3,602,271,277	55,177,947	1.53%	4,085

⁽¹⁾ 2002-2009 Weldon Cooper Center for Public Service, University of Virginia; 2010-2011 US Census Bureau.

Other Indebtedness and Obligations

The City has no overlapping debt. The City's sewer fund has revenue obligation bonds. In addition, the City's water and sewer funds have note payables related to agreements entered into for the treatment of sewer.

The School Board also has a note payable related to the purchase of laptops for student use with a balance of \$1,105,320 as of June 30, 2014.

General Government Revenues by Source *

Revenues	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u> <u>(Unaudited)</u>
General property taxes	\$ 39,476,351	\$ 42,146,436	\$43,870,383	\$46,405,519	\$49,289,147
Other local taxes	11,610,183	13,379,038	13,868,919	14,068,000	15,031,665
Permit, privilege fees, and regulatory licenses	511,285	404,899	634,184	916,677	1,677,603
Fines and forfeitures	610,267	727,990	763,353	672,757	777,485
Use of money and property	85,531	75,495	105,827	141,673	142,860
Charges for services	2,528,088	2,837,487	2,844,768	3,107,315	2,819,182
Miscellaneous	150,691	117,019	204,908	265,161	107,966
Gifts and contributions	42,328	77,687	218,930	313,575	148,492
Recovered costs **	1,869,125	461,219	540,765	509,488	477,639
Commonwealth	4,036,330	3,855,857	3,913,214	5,093,110	5,882,944
Federal	719,247	798,217	896,997	776,311	1,140,608
Total Revenues	\$ 61,639,426	\$ 64,881,344	\$67,862,248	\$72,269,586	\$77,495,593

* Includes General Fund, Capital Project Fund, Special Transportation Fund, and Affordable Dwelling Unit funds.

** Reclassified administrative fees charged to the Water and Sewer Fund as reduction in general government administration expenditures for FY2011.

General Government Expenditures by Function *

Expenditures	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u> <u>(Unaudited)</u>
General government administration	\$5,866,102	\$4,143,809	\$4,439,532	\$5,240,051	\$5,797,523
Judicial administration	1,457,627	1,486,558	1,594,048	1,820,027	1,968,347
Public safety	8,896,616	8,787,149	9,389,094	9,731,518	10,775,667
Public works	5,256,273	5,325,810	5,266,144	5,759,636	5,628,283
Health and welfare	2,229,111	2,121,788	1,992,565	2,263,633	2,100,636
Education and payments to Schools	29,347,120	27,874,069	27,685,031	30,426,504	33,801,767
Parks, recreation, and cultural	4,133,292	4,190,243	4,100,421	4,323,040	4,573,151
Community development	1,419,982	1,416,195	1,754,043	3,324,309	3,486,346
Economic development	346,937	316,857	32,839	308,788	351,837
Capital outlay	1,021,914	931,504	1,197,634	7,533,141	7,035,360
Debt Service **	5,229,135	5,094,752	4,075,628	4,305,353	4,536,400
Total	\$ 65,204,109	\$ 61,688,734	\$61,815,979	\$75,036,000	\$80,055,317

* Includes General Fund, Capital Project Fund, Special Transportation Fund, and Affordable Dwelling Unit funds.

** Includes debt service for schools.

Change in Fund Balance*

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u> <u>(Unaudited)</u>
Net Change in Fund Balance	(\$2,953,084)	\$4,066,457	\$13,787,696	-\$2,616,414	\$37,552,999**
Beginning Fund Balance	10,635,982	5,390,693	9,457,150	23,244,846	20,628,432
Ending Fund Balance	\$5,390,693	\$9,457,150	\$23,244,846	\$20,628,432	\$58,181,432

* Includes General Fund, Capital Project Fund, Special Transportation Fund, and Affordable Dwelling Unit funds.

**Change in Fund Balance from FY 2013 to FY 2014 affected by sale of water system. See "SECTION THREE: CITY OF FALLS CHURCH, VIRGINIA – Government Services and Facilities – Public Utilities."

Tax Base Data

The following data is presented to illustrate the trends and characteristics of the value of taxable property, property tax rates, tax collection experience and the largest taxpayers.

Real Estate Property Tax - Taxes on real property are based upon a tax rate per \$100 of assessed value, which City Council adopts annually during the budget process. The tax rate is applied to the assessed value as determined by the Real Estate Assessor in the annual assessment. The Commonwealth of Virginia requires localities to assess real property at 100% of market value. Semiannual tax payments are due on June 5 and December 5 with a 10% penalty assessed on late payments.

Personal Property Tax - The Commissioner of Revenue assesses tangible personal property taxes on individual personal property, business personal property, and machinery and tools. Individual and business vehicles are assessed at loan value as determined by the National Automobile Dealers Association. Business equipment and machinery and tools are assessed based on original cost, with a sliding percentage scale determined by year of purchase. Annual tax payments are due on October 5 with a 10% penalty assessed on late payments.

**Assessed Value of All Taxable Property
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Real Property</u>⁽¹⁾	<u>Personal Property</u>⁽²⁾	<u>Total Assessed Valuation</u>
2005	\$2,516,622,808	\$124,179,206	\$2,640,802,014
2006	2,933,131,574	127,641,968	3,060,773,540
2007	3,260,153,224	124,877,226	3,385,030,450
2008	3,347,140,400	120,364,992	3,467,505,392
2009	3,229,304,700	119,069,991	3,348,374,691
2010	3,071,247,950	119,581,930	3,190,829,880
2011	3,093,890,659	123,186,907	3,217,077,566
2012	3,188,498,990	128,579,452	3,317,078,442
2013	3,300,001,854	137,665,159	3,437,667,013
2014	3,459,953,364	142,317,913	3,602,271,277

(1) Assessed at 100 percent of fair market value, which is estimated actual value. Includes Public Service Corporations, whose values are established by the State Corporation Commission.

(2) Assessed on N.A.D.A. basis. Book value, which is estimated actual value.

Source: City of Falls Church.

Tax Rates per \$100 Assessed Value
Property Tax Rates - Last Ten Fiscal Years
Per \$100 Assessment

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery & Tools</u>	<u>Public Service</u>
2005	1.08/1.03	4.71	4.71	1.08/1.03
2006	1.03/1.01	4.71	4.71	1.03/1.01
2007	1.01	4.71	4.71	1.01
2008	1.01/1.03	4.71	4.71	1.01/1.03
2009	1.03/1.07	4.71	4.71	1.03/1.07
2010	1.07/1.24	4.71	4.71	1.07/1.24
2011	1.24/1.27	4.71	4.71	1.24/1.27
2012	1.27/1.27	4.84	4.84	1.27/1.27
2013	1.27/1.305	4.84	4.84	1.27/1.305
2014	1.305	4.84	4.84	1.305

Source: City of Falls Church.

Total Tax Revenues by Source*

<u>Fiscal Year</u>	<u>Real Property Taxes</u>	<u>Personal Property Taxes</u>	<u>Selective Sales & Use Taxes</u>	<u>Business License Taxes</u>	<u>General Sales Taxes</u>	<u>Other Taxes</u>	<u>Total Taxes</u>
2005	\$26,087,887	\$2,689,217	\$3,828,328	\$2,913,022	\$3,867,571	\$819,297	\$40,205,322
2006	29,802,735	3,445,889	4,263,902	2,936,648	4,476,369	770,884	45,696,427
2007	32,437,770	3,283,697	4,222,823	3,053,349	4,480,630	774,405	48,252,674
2008	34,352,764	3,323,061	3,962,354	3,138,550	5,311,376	1,064,753	51,152,858
2009	35,006,626	3,522,687	2,042,219	2,819,183	4,869,522	886,907	49,147,144
2010	36,191,282	3,360,579	3,035,145	2,698,584	4,869,357	843,220	50,998,167
2011	38,539,377	3,607,060	3,619,912	3,151,668	5,491,726	1,115,779	55,525,552
2012	39,709,649	4,160,735	3,899,279	3,279,701	5,526,151	1,164,087	57,739,602
2013	42,079,636	4,325,883	3,737,117	3,421,891	5,642,360	1,266,643	60,473,530
2014	44,763,076	4,526,073	4,420,609	3,509,357	5,948,898	1,152,801	64,320,814

Source: City of Falls Church Finance Division.

* Includes 30% of taxes levied for Special Transportation Fund.

Property Tax Levies and Collections

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections⁽¹⁾	Total Tax Collections	Total Collections as Percent of Current Levy
2005	\$28,698,695	\$27,539,424	95.96%	\$1,151,320	\$28,690,744	99.97%
2006	32,599,324	31,271,297	95.93%	1,293,702	32,564,999	99.90%
2007	35,866,351	34,449,695	96.05%	1,379,753	35,829,448	99.90%
2008	37,149,427	36,183,444	97.40%	913,919	37,097,363	99.86%
2009	37,850,131	37,062,585	97.92%	717,184	37,779,769	99.81%
2010	39,481,422	38,778,261	98.22%	612,737	39,390,998	99.77%
2011	42,206,923	41,495,508	98.31%	599,651	42,095,159	99.74%
2012	44,302,168	43,620,632	98.46%	540,521	44,161,153	99.68%
2013	46,555,785	45,686,242	98.13%	636,764	46,323,006	99.50%
2014	49,238,690	48,431,361	98.36%	-	48,431,361	98.36%

⁽¹⁾ Does not include penalties and interest.

Source: Finance Division, City of Falls Church.

Ten Largest Real Estate Taxpayers as of January 1, 2014

	<u>Nature of Business</u>	<u>Assessment</u>	<u>Tax</u>[*]	<u>% of Levy</u>
Falls Church Country Club (Apartments)	Apartment	\$83,274,100	\$1,086,727	2.35%
TWM Pearson Square, LLC	Mixed-Use	82,371,000	1,074,942	2.32%
Eden Center, Inc.	Retail	53,187,800	694,101	1.50%
BJ'S GL I, LLC & II, LLC	Groceries	30,175,000	393,784	0.85%
Kahn B Franklin et al	Apartment	27,504,800	358,938	0.77%
Wooddell Family Ltd Partnership	Mixed-Use	26,250,000	342,563	0.74%
Federal Realty Investment Trust	Retail	25,076,100	327,243	0.71%
Koons, James E	Automobile Dealership	24,796,800	323,598	0.70%
West Falls Parcel, Inc.	Retail	23,997,800	313,171	0.68%
Aimco Merrill House, Inc.	Apartment	22,097,400	288,371	0.62%

^{*} Tax is based on 2014 rate of \$1.305/\$100 assessed value.

Source: City of Falls Church Real Estate Assessor's Office.

Local Sales Tax

Virginia has a state sales tax rate of 4.5% and allows a local tax of 1% for Virginia localities. These sales taxes are collected at the time of sale and remitted to the state, which then forwards the local 1% to the locality. The sales tax constituted 5.7% of total City revenues in the fiscal year ended June 30, 2014.

Local sales tax revenues in 2014 include \$642,387 of NVT A revenue. Although this revenue contributes to the City's economy and is dedicated to improving transportation, when it is not included in the overall sales tax picture, revenues in support of general fund operations increased in the fiscal year ended June 30, 2014 by 1.0%.

Meals Tax

City Council adopted an ordinance establishing a 3.0% meals tax effective April 23, 1990. This rate was increased to 4.0% effective April 24, 1995. The meals tax generated 3.6% of total City revenues for the fiscal year ended June 30, 2014.

Other Taxes

Utility Consumer Tax is a local license tax imposed on consumers for public utilities.

Bank Stock Tax represents revenue received from tax imposed on bank deposits in the City, less certain allowable deductions.

Recordation taxes are fees levied for documents recorded at the Clerk's Office. Fees are variable, based on type of document.

Other tax revenues in 2014 include \$103,188 of NVTA revenue.

Other Sources of Revenue

Business and Professional License Fees generated 4.5% of total City revenues for the fiscal year that ended June 30, 2014.

General Fund Expenditures and Transfers

General government services are expended out of the General Fund. These include governmental administration, courts, human services, public safety, public works, parks and recreation, library, planning and community development as well as General Fund debt service. In fiscal year that ended June 30, 2014, this accounted for 53.5 percent of General Fund expenditures.

The City transfers monies from the General Fund to the School Board to pay the City's share of costs to operate public schools in Falls Church. This represented 46.5 percent of total General Fund expenditures in fiscal year ended June 30, 2014 and 79.7 percent of total School Board receipts. The principal sources of other revenues credited directly to the School Operating Fund are derived from the Commonwealth and federal governments and locally from charges imposed on students.

Retirement Systems

All permanent full-time and part-time employees of the City and the non-professional employees of the Falls Church School Board are automatically enrolled in the City of Falls Church Pension Plan, which provides retirement and disability benefits. Sworn police officers are required to join the City of Falls Church Police Pension Plan.

The normal retirement age under the City of Falls Church Pension Plan is age 62 (unreduced social security age for employees hired on or after January 1, 2012). Employees may retire for an unreduced early retirement under the "Rule of 80" (minimum age of 50 where age + years of service equal 80 or more). Employees hired on or after January 1, 2012 qualify for an unreduced early retirement under the "Rule of 90". Employees may retire with a reduced early retirement benefit if they are at least age 52 and have 10 or more years of service. Members may qualify for a service connected disability at any age and a non-service connected disability after completing at least five years of service. Employees earn a benefit of 2% (1.8% for employees hired on or after January 1, 2012) of the member's average compensation for his or her highest three years, multiplied by the number of years of creditable service. Police officers have a multiplier of 2.8% for their first twenty years of credited service and 3% for each year in excess of twenty. Officers hired on or

after January 1, 2012 have a multiplier of 2.6% for all credited service. Their normal retirement age is age 55 or age 62, depending upon date of hire.

The City's Basic Pension Plan was 92.2% funded and the Police Plan was 87.8% funded based upon the Actuarial Report as of July 1, 2014 done by the actuarial firm of Cheiron. Employees in the City of Falls Church Pension Plan contribute 5% of their salary and Police Officers contribute 7% to the Police Pension Plan. For FY2015, the City contributes 14.11% of salaries to the regular pension plan and 27.34% to the Police Plan. The City's contributions are actuarially determined every year by actuaries at rates that provide for both normal and accrued funding liability. The basic calculation method is the aggregate cost method. Under this method, the excess of the actuarial present value of future plan benefits for active participants over the actuarial value of the plan assets and the remaining full funding bases is the expected amount of future normal costs. The total accrued liability of the City of Falls Church Basic Pension Plan was \$80,787,616 as of July 1, 2014 while the actuarial value of plan assets was \$74,490,678 (based on five year smoothing) and the market value of assets was \$82,802,021. The total accrued liability of the City of Falls Church's Police Pension Plan as of July 1, 2014 was \$23,558,049. The actuarial value of the Police plan assets was \$20,683,980 (based on five year smoothing) and the market value was \$23,110,756. The Basic Pension Plan has \$6,296,938 of unfunded actuarial liability and the Police Plan has \$2,874,069.

Other Post-Employment Benefits

The City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City under City Council resolution number 82-20. There is no provision for deferral of benefits for employees who separate from City employment without retiring. The School Board also provides post-retirement health insurance benefits for eligible retirees. An irrevocable trust fund was established July 1, 2007 by action of City Council for purposes of pooling, accumulating and accounting for assets necessary to fund the City's and the School Board's future obligations for other post employment benefits (OPEB). The trust fund is administered by the OPEB Finance Board consisting of the City Treasurer, Director of Finance, and a citizen appointee.

The City and School Board OPEB plans are single-employer defined benefit post-employment healthcare plans that cover retired City and School Board employees. The City pays up to one-half of the health insurance premiums for General Government employees. The School Board pays up to forty percent of the health insurance premiums of School Board employees depending on years of service and/or date of hire. The City Council and the School Board have the authority to change these benefits for the City employees and School Board employees, respectively.

Contribution requirements for City employees and the City are established by City Council. Contribution requirements for School Board employees and the School Board are established by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually.

The City's and the School Board's OPEB cost (expense) is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's and the School Board's annual OPEB cost for FY2014, the amount actually contributed to the plan, and changes in their net OPEB asset.

	City	School Board
Annual Required Contribution (ARC)	\$ 847,000	\$ 358,000
Interest on prior year OPEB asset	(70,000)	(64,000)
Adjustment to the ARC	67,000	62,000
Net OPEB Cost	844,000	356,000
Contributions made	3,349,000	455,000
Increase (decrease) in net OPEB asset	(2,505,000)	99,000
Net OPEB asset, beginning of year	939,000	859,000
Net OPEB asset – end of year	\$ 3,444,000	\$ 958,000

The funded status of the plans as of June 30, 2012, the most recent actuarial valuation date, are as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
City	\$ 2,384,000	\$ 11,124,000	\$ 8,740,000	21.4%	\$ 11,095,713	87.07%
School Board	\$ 2,249,000	\$ 5,273,000	\$ 3,024,000	42.7%	\$14,400,004	33.12%

Risk Management

The City has in place a Risk Management Program including regular safety training, drivers education and driving record screening. Police pre-employment physicals are required and psychological tests are given to all new police applicants.

Commitments and Contingent Liabilities

City employees earn from .05 to .10 hours of annual leave per every hour worked. The maximum annual leave an employee may carry over at the end of each fiscal year is 320 hours. City employees also accrue 4 hours of sick leave every two weeks and earn compensatory leave for hours worked in excess of their scheduled hours. Upon termination of employment, permanent City employees are entitled to payment of 100% of unused annual leave, generally 25% of all unused sick leave, and all of their compensatory leave not to exceed 40 hours for certain employees or 100 hours for other employees. School Board employees are paid up to 40 days of their annual leave and all sick leave at the rate of \$3.75 per hour.

The City's liability for the compensated absences was \$2,007,335 and for the School Board was \$1,146,115 as of June 30, 2014.

In 1999, the School Board established a transitional retirement plan providing additional compensation to eligible individuals after their retirement. The amount is equal to 100% of their compensation at the time of retirement and is paid to in equal monthly installments over five years. The balance of the liability is \$3,240,000 as of June 30, 2014. This plan is now closed to new entrants.

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SECTION FIVE: MISCELLANEOUS

Ratings

The City has requested that the Series 2014 Bonds be rated and has provided information to the rating agencies, including information that may not be included in this Official Statement. Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1," Fitch Ratings ("Fitch") has assigned a rating of "AAA," and Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AAA" to the Series 2014 Bonds as set forth on the cover page of this Official Statement.

The ratings reflect only the views of Moody's, Fitch and S&P, respectively. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's, Fitch or S&P. Any such downward revision or withdrawal may have an adverse effect on the market price of the Series 2014 Bonds.

Litigation

During the normal course of business, the City or its officers or employees are or may be named as defendants in litigation involving personal injury, property damage, or other matters, which are defended by the City Attorney and associated counsel. The City's potential liability is protected partially by insurance. It is the opinion of the City Attorney that it is unlikely that the City will bear losses in connection with any such pending or threatened litigation that will materially affect the City's financial condition or operations. There is no litigation pending against the City which would in any way affect the validity of the Series 2014 Bonds or the ability of the City to levy or collect ad valorem taxes, without limitation as to rate or amount, for the payment of the Series 2014 Bonds or the interest thereon.

Financial Advisor

Davenport & Company LLC, Richmond, Virginia, serves as financial advisor to the City on debt management and capital financing matters.

Sale at Competitive Bidding

The Series 2014 Bonds were sold at competitive bidding on December 10, 2014 to Robert W. Baird & Co., Inc. (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and offering prices or yields of the Series 2014 Bonds set forth on the inside front cover hereof. If all of the Series 2014 Bonds are resold to the public at such public offering prices or yields, the Underwriter has informed the City that it anticipates total underwriting compensation of \$101,516.75. The Underwriter may change the public offering prices or yields of the Series 2014 Bonds from time to time.

Certificates of City Officials

Concurrently with the delivery of the Series 2014 Bonds, the City will furnish to the successful bidder a certificate dated the date of delivery of the Series 2014 Bonds, signed by the appropriate City officials and stating that (a) no litigation is then pending or, to their knowledge, threatened to restrain or enjoin the issuance or delivery of the Series 2014 Bonds or the levy or collection of taxes to pay principal of, premium, if any, or interest thereon or in any manner questioning the proceedings and authority under which the Series 2014 Bonds are issued, and (b) the descriptions and statements in this Official Statement (except in the sections entitled "Book-Entry-Only System" and the information as to yield or price on the inside cover page) on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under

which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Series 2014 Bonds other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate.

The City Attorney will also furnish to the successful bidder concurrently with the delivery of the Series 2014 Bonds a certificate dated the date of delivery of the Series 2014 Bonds, stating that the statements in the section herein entitled “Litigation” on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) under the Securities Exchange Act of 1934. For purposes of the Rule, the City is an obligated person with respect to the Bonds. The City has undertaken in its Continuing Disclosure Agreement (the “City Undertaking”) to comply with the provisions of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission by providing certain annual financial information and notice of certain enumerated events required by the Rule to the Municipal Securities Rulemaking Board. Such undertaking requires the City to provide only limited information at specified times. The form of the City Undertaking is attached to this Official Statement as Appendix C.

Failure by the City to comply with the City Undertaking will not constitute a default under the Series 2014 Bonds, the Ordinance or the Resolution. The sole remedy for a default under the City Undertaking is to bring an action for specific performance of the City’s covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

The City failed to file in a timely manner certain annual financial information contained in its Comprehensive Annual Financial Report (“CAFR”) for fiscal years ended June 30, 2009 and 2010 (which CAFR’s were filed with the Electronic Municipal Market Access System (“EMMA”) in February 2012) and fiscal year ended June 30, 2012 (which CAFR was filed with EMMA in November 2013). The City failed to file in a timely manner notice that, on November 21, 2013, S&P upgraded its rating on the City’s general obligation bonds to “AAA.” Notice of such rating change was filed with EMMA on November 7, 2014.

Summaries and Descriptions

All references in this Official Statement to and summaries of provisions of the Constitution of the Commonwealth, statutes of the Commonwealth, resolutions or ordinances of the City, or other laws, documents and instruments and of the Series 2014 Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

This Official Statement and any advertisement of the Series 2014 Bonds are not to be construed as a contract with the purchasers of the Series 2014 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

CITY OF FALLS CHURCH, VIRGINIA

By: /s/ F. Wyatt Shields
City Manager

By: /s/ Richard La Condré
Director of Finance

APPENDIX A

ANNUAL FINANCIAL STATEMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2013

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Appendix A

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 may be viewed at <http://www.fallschurchva.gov/ArchiveCenter/ViewFile/Item/717>.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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Appendix B

Proposed Form of Opinion of Bond Counsel

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Series 2014 Bonds. It is preliminary and subject to change prior to delivery of the Series 2014 Bonds.

December 23, 2014

Mayor and Council of the
City of Falls Church, Virginia
Falls Church, Virginia

\$11,740,000
City of Falls Church, Virginia
General Obligation Public Improvement Bonds,
Series 2014

Ladies and Gentlemen:

We have served as bond counsel to the City of Falls Church, Virginia (the “City”) in connection with the issuance and sale by the City of its \$11,740,000 General Obligation Public Improvement Bonds, Series 2014 (the “Series 2014 Bonds”), dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the “Constitution”), (ii) the applicable laws of (A) the Commonwealth of Virginia (the “Commonwealth”), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and the Charter of the City of Falls Church, Chapter 323, Virginia Acts of Assembly of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) copies of proceedings and other documents relating to the issuance and sale of the Series 2014 Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to such opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the Series 2014 Bonds, (ii) certifications of public officials furnished to us, and (iii) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

1. The Series 2014 Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.
2. The City Council of the City has the power and is authorized and required by law to levy ad valorem taxes upon all taxable property within the City for the payment of the Series 2014 Bonds and interest thereon, without limitation of rate or amount, to the extent other funds of the City are not lawfully available and appropriated for such purpose.
3. Under current law, interest on the Series 2014 Bonds, including any accrued “original issue discount” properly allocable to the owners of the Series 2014 Bonds, (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the Series 2014 Bonds must be included in computing adjusted current earnings. The “original issue discount” on any Series 2014 Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Series 2014 Bonds of the same maturity was sold. The “public” does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Series 2014 Bonds.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the City and certain affiliated parties as to facts material to the opinion, and (ii) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Series 2014 Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2014 Bonds in order for interest on the Series 2014 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2014 Bonds and the use of the property financed or refinanced by the Series 2014 Bonds, limitations on the source of the payment of and the security for the Series 2014 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2014 Bonds to the United States Treasury. The tax certificates and related documents for the Series 2014 Bonds (the “Tax Certificates”) contain covenants (the “Covenants”) with which the City and certain affiliated entities have agreed to comply. Failure to comply with the Covenants could cause interest on the Series 2014 Bonds to become includible in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2014 Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2014 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Series 2014 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Series 2014 Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Series 2014 Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the Series 2014 Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the registered owners of the Series 2014 Bonds and the enforceability of the City's obligations under the Series 2014 Bonds may be limited or otherwise affected by bankruptcy, insolvency, reorganization, moratorium, and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights and obligations is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Series 2014 Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Series 2014 Bonds in making a decision to purchase the Series 2014 Bonds, including without limitation the Preliminary Official Statement of the City dated November 25, 2014, and the Official Statement of the City dated December 15, 2014. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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Appendix C

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Falls Church, Virginia (the “City”), in connection with the issuance by the City of \$11,740,000 original aggregate principal amount of its General Obligation Public Improvement Bonds, Series 2014 (the “Bonds”), pursuant to an Ordinance enacted by the City Council (the “Council”) of the City on July 14, 2014 (the “Ordinance”), approved by referendum of the voters of the City on November 4, 2014, and in accordance with the provisions of a resolution adopted by the Council on November 24, 2014 (the “Resolution”). Pursuant to the Ordinance and the Resolution, the City’s Director of Finance approved the sale of the Bonds to Robert W. Baird & Co., Inc. (the “Underwriter”) and the offering and sale of the Bonds by the Underwriter to the public pursuant to an Official Statement relating to the Bonds, dated December 15, 2014 (the “Final Official Statement”). The City hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Financial Information” with respect to any Fiscal Year of the City means the following:

- (i) the audited financial statements of the City, which are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (i) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and
- (ii) financial information and operating data with respect to the City of the type and scope that updates the information and data contained in the Final Official Statement under the captions “Statement of General Obligation Long-Term Debt,” “General Government Revenues by Source,” “General Government Expenditures by Function,” “Total Tax Revenues by Source,” and “Property Tax Levies and Collections”; provided that the City is required only to provide such financial information with respect to the immediately preceding Fiscal Year and shall not be required to restate or revise previously furnished information.

“Dissemination Agent” shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Fiscal Year” shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City’s Fiscal Year begins July 1 and continues through June 30 of the next year.

“Holder” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

“Make Public” or “Made Public” has the meaning set forth in Section 4 of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as in effect from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

Section 3. Obligations of the City. (a) As long as the Bonds are outstanding, the City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information not later than 270 days after the end of each Fiscal Year beginning with the Fiscal Year ended June 30, 2014. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the City will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(b) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner not in excess of ten (10) business days following the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or similar event of the City*;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

provided that nothing in this subsection (b) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of a failure of the City to provide the Annual Financial Information on or before the date specified in this Disclosure Agreement.

(d) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the then current Fiscal Year.

(e) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents available to the public on the MSRB's internet web site or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available to the public on the MSRB's internet web site. The City shall identify clearly each other document so included by specific reference.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. Identifying Information; CUSIP Numbers. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the redemption, legal defeasance or payment in full of the Bonds.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may

* This event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and the Underwriter of the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the City chooses to provide any information in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such additional information or include it in any future Annual Financial Information or notice Made Public hereunder.

Section 10. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance, the Resolution or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 23, 2014

CITY OF FALLS CHURCH, VIRGINIA

By: _____