



COUNCIL MINUTES

June 10, 2004

The City Council of the City of Mesa met in a Special Council Meeting in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 10, 2004 at 7:31 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Tom Rawles
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

STAFF PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

1. Receive a report from the Financial Services Manager concerning the bids received for the purchase of City of Mesa, Arizona, Utility System Revenue Bonds, Series 2004.

Financial Services Manager Bryan Raines advised that Larry Given of Peacock, Hislop, Staley & Given, Inc., the City's financial advisor, and Keith Hoskins from Gust Rosenfeld's office, the City's legal counsel on bond purchases, were present to answer any questions. Mr. Raines stated that the Council packet includes a summary of the bids received by the City on June 9, 2004. He reported that the low bid for the Utility System Revenue Bonds was received from Merrill Lynch & Company in the amount was \$64,625,000 at a rate of 5.075202 percent.

Mr. Given stated that receipt of eleven bids indicated that the bonds were considered to be very attractive. He advised that the City's bond ratings were maintained, as has been the case in the past six or seven years, and that the bonds were purchased with bond insurance as AAA rated bonds.

Discussion ensued relative to the fact that the bonds have a ten-year call feature; that the bonds are scheduled to mature between the years of 2019 to 2028 with an average life of 21 years; that the term is appropriate for the types of projects being financed; that the maturity schedule is part of the Merrill Lynch bid, a copy of which is located in the Council packet; and that the bulk of the bonds mature between 2023 and 2028.

2. Introduce, discuss and act on a resolution authorizing the issuance and sale of \$64,625,000, City of Mesa, Arizona, Utility System Revenue Bonds, Series 2004, and other matters related thereto – Resolution No. 8263.

It was moved by Councilmember Griswold, seconded by Vice Mayor Walters, that Resolution No. 8263 be adopted.

In response to a question from Councilmember Thom relative to the fact that the bond interest rate appeared to be high, Mr. Given advised that in fact the interest rate was very attractive compared to other issues that were offered at the same time. He advised that the City received a better rate than the higher rated Arizona State University system revenue bonds that were offered at the same time.

Vice Mayor Walters requested that staff provide information on the projects to be financed by the Utility Bonds and the life expectancy of those projects.

Capital Improvement Project Administrator Anthony Araza explained that the subject bonds fund components of the Utility system that have a life span of thirty to fifty years, and therefore the issuance of the bonds for these types of projects is appropriate.

Vice Mayor Walters thanked Mr. Araza for clarifying that the City was not financing short-term projects with long-term debt.

Discussion ensued relative to the fact that the theory of bonds is to ensure that users share the costs over the life of the system; that the Utility projects are planned to address future needs; and that the future users of the Utility System will share the costs.

Mayor Hawker called for the vote.

Carried unanimously.

3. Receive a report from the Financial Services Manager concerning the bids received for the purchase of City of Mesa, Arizona, Street & Highway User Revenue Bonds, Series 2004.

Mr. Raines advised that a recap of the three bids received for Street & Highway User Revenue Bonds is included in the Council packet. He reported that Dain Rauscher Inc. was the successful bidder on the bonds totaling \$9,585,000 at a rate of 5.065826.

Mr. Raines expressed his appreciation to Mayor Hawker for participating in the discussions with the bond rating agencies, and he noted that the City's ratings were reaffirmed. He also thanked the Utilities Department and the Accounting Division for their assistance in this effort.

Discussion ensued relative to the fact that the Utility bonds were rated A1A+ and the Street and Highway bonds were rated A- and A2; that the Street and Highway Bonds have a lower rating due to the nature of the revenues that are securing the bonds and the City has an aggressive coverage feature on the bonds in that the City guarantees coverage only one and a half times rather than multiple times; that the bonds have a maximum maturity of twenty years which correlates to the life of street projects; and that the bid includes the insurance.

4. Introduce, discuss and act on a resolution authorizing the issuance and sale of \$9,585,000, City of Mesa, Arizona, Street & Highway User Revenue Bonds, Series 2004, and other matters related thereto – Resolution No. 8264.

It was moved by Vice Mayor Walters, seconded by Councilmember Griswold, that Resolution No. 8264 be adopted.

Carried unanimously.

Mayor Hawker thanked staff for the presentation.

5. Recess to conduct a study session.

Without objection, the Special Council Meeting recessed at 7:43 a.m. in order to convene a Study Session.

6. Reconvene for the purpose of entering into an executive session.

The Special Council Meeting reconvened at 9:47 a.m. with all members present except Mayor Hawker and Councilmember Rawles for the purpose of entering into an Executive Session.

It was moved by Councilmember Whalen, seconded by Councilmember Griswold, that the Council enter into an Executive Session.

AYES - Griswold-Jones-Thom-Walters-Whalen
NAYS - None
ABSENT - Hawker-Rawles

Vice Mayor Walters declared the motion carried unanimously by those present, and the Council entered into an Executive Session at 9:48 a.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Council Meeting of the City Council of Mesa, Arizona, held on the 10th day of June 2004. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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