

CITIZENS' BOND REVIEW COMMITTEE MINUTES

November 2, 1999

The Citizens' Bond Review Committee - 2000 of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on November 2, 1999 at 5:00 p.m.

COMMITTEE PRESENT

C. K. Sato, Chairman
Judy Adams
Wilford Anderson
Robert Brinton
Nick Carr
Charlie Deaton
Barry Dickerson
Ferdie Guerrero, Jr.
Connie Gullatt-Whitman
Jack Gunter
Eric Jackson
Pat Langdon

COMMITTEE PRESENT (Cont.)

Pat Mendivil
Will Moore
Laurie Nichols
Dan Reeb
Beverly Selvage
George Smith

COMMITTEE ABSENT

Carol McCormick

COUNCIL PRESENT

Jim Davidson

STAFF PRESENT

Mike Brennan
Candace Cannistraro
Linda Crocker
Jack Friedline
Larry Given
Barbara Jones
Dave Plumb
Bryan Raines
Andrea Rasizer
Tom Remes
Larry Woolf

1. Discuss past business.

Assistant to the City Manager Bryan Raines informed the Committee that tours of various City facilities have been scheduled for Wednesday, November 10th and Friday, November 12th and urged those interested in attending to contact staff.

In response to a request from Chairman Sato, Mr. Raines provided the Committee with a brief overview of the Quality of Life Sales Tax that was approved by Mesa voters in May 1998. Mr. Raines also discussed two citizen initiatives that will be on the ballot of the March 14, 2000 Primary Election and noted the financial negative impacts the initiatives will have on the City of Mesa if the issues are approved by the voters.

Additional discussion ensued relative to the proposed ballot issues, the Home Rule proposal, and potential decreases in the City's revenue stream should the initiatives be approved.

2. Presentation on the City's Financial Issues.

Larry Woolf – Finance Director
Larry Given – City's Financial Advisor, L.S. Given & Company

Mr. Woolf and Mr. Given addressed the Committee relative to this agenda item and stated that they would present a brief overview of the City's bond program. Mr. Given noted that the City of Mesa

currently utilizes five types of bonds: 1) General Obligation Bonds; 2) Utility System Revenue Bonds; 3) Street and Highway User Revenue Bonds; 4) Municipal Development Corporation Bonds; and 5) Capital leases.

Mr. Given discussed the fact that the issuance of bonds, in addition to being a common practice among cities, is the primary and most widely accepted method of funding large capital projects for municipalities throughout the nation. Mr. Given also commented on the positive aspects of bonding and noted that cities generate funds at a lower cost than many other bond issuers.

Discussion ensued relative to General Obligation Bonds and the fact that the City is subject to limitations imposed by the State on its bonding capacity; the fact that the City may issue bonds totaling up to 6% of its secondary assessed valuation, the fact that "general municipal purpose projects" include streets, public safety, fire prevention and public buildings, and the fact that the City may also issue additional bonds totaling up to 20% of its secondary assessed valuation for water, sewer, lighting, disposal facilities, playgrounds, parks, open space preserves, storm sewers and recreational facilities.

Mr. Woolf referred to overheads displayed in the Council Chambers and briefly reviewed data relative to the City's current General Obligation Bonding capacity and General Obligation Bond debt service requirements. Mr. Given presented additional statistical data pertaining to Mesa's highly-rated utility system revenue bonds, including a schedule of net revenues, debt service requirements and coverage. Mr. Given, Mr. Woolf and staff responded to questions and requests for information from members of the Committee regarding primary and secondary property taxes, bond ratings, utility revenues, the proposed citizens' initiative requiring a vote of the citizens prior to the enactment of a property tax and Mesa's excellent bond rating.

Chairman Sato thanked Mr. Given, Mr. Woolf and Mr. Raines for their input.

3. Presentation of the proposed Natural Gas Bond Projects, (\$7,000,000).

Dave Plumb, Utilities Manager

Mr. Plumb referred to charts displayed in the Council Chambers outlining the City's natural gas service territory and reported that 70% of the customers in Mesa are served by the City of Mesa and the remaining 30% are serviced by Southwest Gas Company. Mr. Plumb presented statistical data relative to the City's natural gas system and customer base and advised that proposed improvements to the system are based on Mesa's Master Plan, growth, and environmental regulations. Mr. Plumb reported that the natural gas program is self-sustaining and, along with Mesa's other utilities, generates substantial revenue for the City's General Fund.

Mr. Plumb discussed the City's purchase of the Magma Gas System and the fact that approximately 56,000 homes are located within the Magma service territory. Mr. Plumb commented on advantages of the product to consumers and the projected continued growth in the number of natural gas customers. Mr. Plumb outlined new line extensions and replacement projects included in the Natural Gas Program requests and spoke concerning the City's five-year payback policy on improvements, efforts to minimize costs, anticipated retirement of bonded indebtedness from profits generated by Mesa's utility systems and marketing efforts.

Additional discussion ensued relative to improvements to the gas system's 1999 Master Plan, which includes a computer simulation of the City's natural gas system to facilitate growth and efficiency, maintenance-related issues which consist mainly of leaks, the replacement of antiquated gas lines, gas system operational improvements, including a "looping system" to improve the gas pressure and therefore the level of service provided to the customers, electronic monitoring/dispatching equipment, and various pro-active projects related to street improvements.

Mr. Plumb responded to questions from the Committee concerning contingency funds, profits, infrastructure and project coordination.

Chairman Sato thanked Mr. Plumb for his presentation.

4. Presentation of the proposed Water system Bond Projects (\$87,625,000).

Dave Plumb, Utilities Manager

Mr. Plumb discussed maintenance related projects and commented on the significant amount of maintenance projects/upgrades that are required at Williams Gateway Airport. Mr. Plumb also discussed a number of projects related to the replacement of water lines, the continuing systematic replacement of Leisure World valve and service lines, water system operational improvements, and emergency power sources.

Mr. Plumb commented on the Val Vista Water Treatment Plant which is jointly owned by the Cities of Phoenix and Mesa and operated by the City of Phoenix, and outlined a number of proposed improvements to enhance the operation and efficiency of the plant. Mr. Plumb also discussed the fact that staff is proposing an expansion to the Central Arizona Project (CAP) treatment plant.

Discussion ensued relative to wells, proposed upgrades, redrilling and equipment, street improvement projects (including the Red Mountain Freeway utility crossing), and projects included in the water system master plan, which includes a large concentration of projects located in the eastern portion of the City, the addition of wells and reservoirs, capacity expansions, acquiring land for a future water treatment plan and design costs associated with that project, the Pinal County Water Farm and proposed Environmental Protection Agency (EPA) revised regulations.

Mr. Plumb responded to questions from the Committee concerning water rates and service charges.

Chairman Sato thanked Mr. Plumb for his presentation.

5. Presentation of the proposed Wastewater System Bond Projects (\$113,375,000).

Dave Plumb, Utilities Manager

Mr. Plumb provided background information relative to the City's wastewater system and discussed maintenance related issues. Mr. Plumb explained that line replacements are based on "surcharging," which means that the lines are required to handle a larger capacity than they were originally designed for. Mr. Plumb also commented on proposed operational improvements and "lift stations," the 91st Avenue Treatment Plant, pumping and odor controlling facilities, and projects identified in the Wastewater System Master Plan. Mr. Plumb presented data pertaining to the Master Plan and current and projected treatment capacities.

Mr. Plumb responded to questions from the Committee concerning the City's involvement in the 91st Avenue Treatment Plant, water credits, and storage/recharge facilities.

Chairman Sato thanked Mr. Plumb for his presentation.

6. Adjournment.

The Committee thanked staff for the information provided.

Citizens' Bond Review Committee - 2000

November 2, 1999

Page 4

Chairman Sato advised that the next meeting of the Committee will be held on November 9, 1999.

Without objection, the meeting adjourned at 7:08 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Citizens' Bond Review Committee – 2000, held on the 2nd day of November 1999. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 1999

BARBARA JONES, CITY CLERK