



COUNCIL MINUTES

May 8, 2008

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 May 8, 2008 at 7:31 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Kyle Jones
Tom Rawles
Darrell Truitt
Claudia Walters
Mike Whalen

COUNCIL ABSENT

Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Mayor Hawker excused Councilmember Somers from the beginning of the meeting.)

1. Hear a report concerning the bids received for the purchase of the City's General Obligation Bonds, Series 2008, Utility Systems Revenue Bonds, Series 2008 and Utility Systems Revenue Refunding Bonds, Series 2008 (Bids have been received through an on-line bidding process).

Deputy City Manager Bryan Raines introduced Larry Given of Peacock, Hislop, Staley & Given, Inc., the City's financial adviser, and Keith Hoskins of Gust Rosenfeld, P.L.C., the City's bond counsel, who were prepared to respond to any questions the Council may have.

Mr. Raines reported that on May 7, 2008, the City received bids through an on-line bidding service for the sale of the above-listed bonds. He explained that from his perspective, the sales were very positive and advised that the net interest cost for all three sales fell below the levels previously forecasted.

Mr. Raines informed the Council that Standard and Poor's recently upgraded the rating on the City's General Obligation (G.O.) Bonds to AA+ from AA- and its Utility Systems Revenue Bonds to AA- from A+. He noted that this is the first bond rating upgrade for the City of Mesa in more than a decade. Mr. Raines also stated that the upgrade is due, in part, to the City's ability to react quickly to economic changes, increase its fund balances within targeted levels, and forecast its projected future relative to the General Fund and Enterprise Fund.

Mr. Given commented that one of the factors that rating agencies take into consideration is whether the City has a financial plan and can accommodate a number of eventualities in the economic market. He stated that the Council and staff's ability to implement such a plan and

react to various financial situations has impressed the rating agencies. Mr. Given added that it has been approximately 20 years since the City of Mesa has been rated as a AA city and congratulated the Council and staff for their efforts and hard work in this regard.

Mr. Given further reported that he was impressed with how close the bidding was on each of the three bond sales and explained that all of the bidders were within four or five basis points of one another. He briefly highlighted the three sales as follows:

- G.O. Bonds – There were seven or eight bids. Bond insurance was required.
- Utility Systems Revenue Bonds – There were six bids, all between 4.91% and 4.95%.
- Utility Systems Revenue Refunding Bonds – The average rate was 3.5%. On July 1, 2008, the higher rated refunding bonds (between 4.5% and 5%) will be replaced with the lower rated bonds (the winning bid had a net interest cost of 3.56642%), resulting in ten years of savings at 1.5% per year. The refunding generated 5.6704% of Net Present Value savings.

Mr. Hoskins stated that City Clerk Linda Crocker has been provided the three resolutions for Council adoption.

City Manager Christopher Brady stated that Mesa's upgraded bond rating is significant and a confirmation of the Council and staff's efforts in the last few years to implement a financial forecasting model, increase fund balances and adopt utility rate increases. He congratulated everyone for their hard work in this regard and recommended that the Council move forward with the adoption of the three resolutions.

Mayor Hawker thanked his fellow Councilmembers for their work and input relative to the development of a financial forecasting model, which, in his opinion, is a useful tool that can be passed on to future Councils as they deliberate budget issues. He also expressed appreciation to Councilmember Jones, who served as Chairman of the Mesa 2025: Financing the Future Committee, a citizen group that was formed to address long-term financial solutions for the City of Mesa.

Vice Mayor Walters acknowledged Mayor Hawker for his leadership role in challenging staff to create a long-term planning and financial forecasting model for the City. She also thanked staff for their efforts and hard work in implementing the model. Vice Mayor Walters added that she is pleased that the rating agency validated the difficult decisions that the Council has made in recent years in an effort to improve the City's financial structure.

2. Discuss, amend if desired, and act on the following resolutions:

- a. Providing for the issuance and sale of \$15,450,000 Aggregate Principal amount of City of Mesa, Arizona, General Obligation Bonds, Series 2008; providing for the annual levy of a tax for the payment of the bonds; prescribing the form and other details of the Series 2008 Bonds – Resolution No. 9244.

It was moved by Vice Mayor Walters, seconded by Councilmember Jones, that Resolution No. 9244 be adopted.

Mayor Hawker declared the motion carried unanimously by those present and Resolution No. 9244 adopted.

- b. Supplementing the City's Resolution No. 6362, as amended, dated July 29, 1991, pertaining to the issuance of Utility Systems Revenue Bonds and authorizing the issuance and sale of \$52,875,000, Principal Amount of City of Mesa, Arizona Utility Systems Revenue Bonds, Series 2008; prescribing the form and other details of the Series 2008 Bonds – Resolution No. 9245.

It was moved by Vice Mayor Walters, seconded by Councilmember Jones, that Resolution No. 9245 be adopted.

Mayor Hawker declared the motion carried unanimously by those present and Resolution No. 9245 adopted.

- c. Supplementing the City's Resolution No. 6362, as amended, dated July 29, 1991, pertaining to the issuance of Utility Systems Revenue Bonds and authorizing the issuance and sale of \$21,125,000, Principal Amount of City of Mesa, Arizona Utility Systems Revenue Refunding Bonds, Series 2008; prescribing the form and other details of the Series 2008 Bonds – Resolution No. 9246.

It was moved by Vice Mayor Walters, seconded by Councilmember Jones, that Resolution No. 9246 be adopted.

Mayor Hawker declared the motion carried unanimously by those present and Resolution No. 9246 adopted.

Mayor Hawker thanked everyone for the presentation.

3. Adjournment.

Without objection, the Special Council meeting adjourned at 7:45 a.m.

KENO HAWKER, MAYOR

ATTEST:

LINDA CROCKER, 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 8th day of May 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK