



COUNCIL MINUTES

May 20, 2010

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 20, 2010 at 7:32 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Scott Somers

COUNCIL ABSENT

Dave Richins

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Mayor Smith excused Councilmember Richins from the entire meeting.

1. Hear a report concerning the bids received for the purchase of the City's General Obligation Bonds, Series 2010, Utility Systems Revenue Bonds, Series 2010 and Highway Project Advancement Notes, Series 2010. (Bids have been received through an on-line bidding process.)

Deputy City Manager Bryan Raines introduced Larry Given of Peacock, Hislop, Staley & Given, the City's financial advisor, and also acknowledged Sarah Smith and Scott Ruby of Gust Rosenfeld, the City's bond counsel, who were present in the audience.

Mr. Raines reported that in April, the Council authorized the sale of General Obligation and Utility Systems Revenue Bonds and Highway Project Advancement Notes. He explained that yesterday the City received bids through an on-line bidding service for the sale of those bonds. **(See Attachment 1)**

Mr. Raines commented that although there was significant interest with regard to the General Obligation Bonds, the City received one bid, with an adjusted net interest cost of 3.637%. He noted that both the General Obligation and Utility Systems Revenue Bonds were sold as taxable Build America Bonds. Mr. Raines stated that last year, the City of Mesa was the first municipality in Arizona to sell its Utility Systems Revenue Bonds as Build America Bonds. He added that this year, investors could bid on tax-exempt bonds or the taxable Build America Bonds for the General Obligation and Utility Systems Revenue Bonds.

In response to a question from Mayor Smith, Mr. Given clarified that the Build America Bond Program was created by the Federal government as part of the American Recovery and

Reinvestment Act (ARRA) of 2009. He explained that the Build America Bond Program works in such a manner that the bonds must be qualified to be issued as tax-exempt bonds, but then once they are issued as taxable bonds the City receives a 35% Federal subsidy for all interest payments.

Mr. Raines informed the Council that with regard to the General Obligation Bonds, the Build America Bond bid would save the City approximately \$1.2 million in interest expense over the life of the bonds as compared to tax-exempt bonds. Mr. Given added that the taxable net interest cost is 5.59% and said that with the Federal subsidy, the adjusted net interest cost is 3.647%.

Mr. Raines also remarked that five bids were received for the Utility Systems Revenue Bonds, which were also offered as taxable Build America Bonds. He stated that BMO Capital Markets submitted the lowest and best bid, with a taxable net interest cost of 6.1% and an adjusted net interest cost of 3.965%. Mr. Raines added that the City would save an estimated \$5.3 million in interest expense over the life of the bonds as compared to tax-exempt bonds.

Mr. Raines further reported that last fall, the City of Mesa issued and sold \$20 million of Highway Project Advancement Notes for the purpose of accelerating right-of-way acquisition for State Route 802. He explained that the Arizona Department of Transportation (ADOT) has begun to acquire such right-of-way. Mr. Raines stated that the City's issuance of a second series of Highway Project Advancement Notes would enable ADOT to complete that process. Mr. Raines noted that Hutchinson, Shockey, Erley & Co., the successful bidder last fall, once again submitted the lowest and best bid with a net interest cost of 2.99%.

Mr. Raines stated that if the Council agrees with staff's recommendations, he has included motions on Attachment 1 with regard to the adoption of the respective resolutions. (Items 2a, 2b and 2c)

City Manager Christopher Brady commented that given Mr. Given's expertise in structuring the Build America Bonds to meet specific criteria and also the competitive bond market, the City of Mesa would benefit from the low interest rates over the term of the bonds not only today, but into the future.

Councilmember Kavanaugh complimented Mr. Given and Mr. Raines and their respective staffs for their efforts and hard work over the years, which has allowed the Council to make smart financial decisions that have benefitted the community and its residents.

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

- 2a. Providing for the issuance and sale of \$30,865,000 aggregate Principal Amount of City of Mesa, Arizona, General Obligation Bonds, Series 2010; providing for the annual levy of a tax for the payment of the bonds; awarding bid to the purchaser of the Series 2010 Bonds; prescribing the form and other details of the Series 2010 Bonds – Resolution No. 9692.

It was moved by Councilmember Finter, that the recommendations of staff be accepted and that staff be directed to proceed with the bond sales as presented today.

In response to a question from Mayor Smith, City Attorney Debbie Spinner clarified that the Council could combine agenda items 2a, 2b and 2c under one motion.

Mayor Smith inquired if Councilmember Finter's motion included the items as defined in 2a, 2b and 2c.

Councilmember Finter confirmed Mayor Smith's statement.

Councilmember Somers seconded the motion.

Mayor Smith declared the motion carried unanimously by those present and Resolution Nos. 9692 (agenda item 2a), 9693 (agenda item 2b) and 9694 (agenda item 2c) adopted.

2b. 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 \$50,380,000 principal amount of City of Mesa, Arizona Utility Systems Revenue Bonds, Series 2010; awarding bid to the purchaser of the Series 2010 Bonds; prescribing the form and other details of the Series 2010 Bonds – Resolution No. 9693.

(Resolution No. 9693 was adopted by Council action as listed under agenda item 2a.)

2c. Providing for the issuance and sale of \$25,000,000 aggregate Principal Amount of City of Mesa Highway Project Advancement Notes, Series 2010; awarding bid to the purchaser of the Series 2010 Notes; approving the form of the Trust Agreement and declaring an emergency – Resolution No. 9694.

(Resolution No. 9694 was adopted by Council action as listed under agenda item 2a.)

3. Items from citizens present.

There were no items from citizens present.

4. Adjournment.

Without objection, the Special Council Meeting adjourned at 7:41 a.m.

SCOTT SMITH, 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 20th day of May 2010. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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(attachment – 1)