



## COUNCIL MINUTES

April 2, 2012

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on April 2, 2012 at 4:30 p.m.

### COUNCIL PRESENT

Scott Smith  
Alex Finter  
Christopher Glover  
Dina Higgins  
Dennis Kavanaugh  
Dave Richins

### COUNCIL ABSENT

Scott Somers

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

Mayor Smith excused Vice Mayor Somers from the entire meeting.

#### 1. Review items on the agenda for the April 2, 2012 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest: None

Items removed from the consent agenda: None

Items deleted from the agenda: None

Planning Director John Wesley stated that the introduction of the ordinance regarding agenda item 8a (**Z12-11 (District 5)**, 2217 North Power Road. Located north of McKellips Road on the east side of Power Road. (5.24± acres). Rezone from RS-35 to RM-4 BIZ and Site Plan Review) would include an amended site plan as proposed by the developer.

#### 2-a. Hear a presentation, discuss and provide direction on the FY 12/13 Capital Improvement Program Overview.

Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 1**) and reported that the Councilmembers were provided a copy of the draft Capital Improvement Program (CIP) document for their review. She stated that staff continues to review and refine the list of needed projects and available funding sources. She added that significant projects will be highlighted during the presentations made by the individual departments.

Ms. Cannistraro highlighted the different types of CIP projects as follows:

- Funded – Projects that have funding sources identified and programmed within five years.
- Planned Future Needs – Projects that do not have funding authorized, but are identified as those that should be completed within the next five years.
- Future Growth Needs – Projects that do not have funding authorized and are not included within the five-year timeline. The programming of such projects is dependent upon growth/service demand, the availability of financial resources and the sustainability of related operations.

Ms. Cannistraro reviewed examples of Funded CIP projects (See Page 4 of Attachment 1), such as the Fiesta District Police Substation. She also displayed a document titled “Funded Project Summary – Five-Year CIP” that illustrates revenue sources (i.e., cash, grants, General Fund dollars and current bond authorizations) for those projects. (See Page 5 of Attachment 1) Ms. Cannistraro, in addition, outlined the specific dollar amounts for the various funding sources. (See Page 6 of Attachment 1)

Ms. Cannistraro cited Planned Future CIP projects (See Page 7 of Attachment 1), including the relocation of Fire Station 203. She noted that the projects are currently included in the five-year planning document, but require additional bond authorization or the identification of additional funding. Ms. Cannistraro also displayed a document titled “Planned Future Needs Summary – Five Year CIP” (See Page 8 of Attachment 1) and highlighted the associated funding sources. (See Page 9 of Attachment 1)

Ms. Cannistraro further discussed a series of Future Growth Needs projects (See Page 10 of Attachment 1), consisting of, but not limited to, road construction on Warner Road between Power and Sossaman, and improvements to the Public Safety Training Facility.

Ms. Cannistraro concluded her presentation by reviewing a timeline of the FY 2012/13 Budget Calendar. (See Page 11 of Attachment 1)

Mayor Smith inquired if the Council decided to forward a bond package to the voters in November, whether it would be necessary to include such costs in the June 4, 2012 Tentative Budget (if any expenditures were anticipated during the next fiscal year).

City Manager Christopher Brady clarified that the CIP document is a tool utilized by the Council to plan capital projects for the next five years and said it provides a gauge in terms of how those projects are financed.

Mr. Brady remarked that as it relates to a specific bond package, since the Council must call the November 2012 election by July 2<sup>nd</sup>, he would anticipate that by June the Council would want to engage in a “robust” discussion as to whether they wish to move forward with a bond election and what projects/dollar amounts would be included. Mr. Brady noted that staff would subsequently include those projects in the CIP. He added that the June 18, 2012 Regular Council meeting is tentatively scheduled to be moved to June 25, 2012.

Mr. Brady further commented that staff felt it would be helpful to provide the Council a draft of the CIP ahead of time so that when the individual departments make their budget presentations, they could respond to any questions the Council may have with regard to specific CIP projects.

Mayor Smith recalled that there were components of the 2008 bond issue related to the replacement of certain equipment (i.e., Public Safety's communications system, fire apparatus) that were deferred. He stressed the importance of the City "getting a handle on" and planning for those capital needs prior to FY 14/15.

Mr. Brady assured Mayor Smith that staff was prepared to discuss those items whenever the Council deemed it appropriate.

Councilmember Finter concurred with Mayor Smith's comments. He also stated that he was curious how the CIP Program, potential bond proposals, iMesa suggestions and the City's potential partnership with Mesa Public Schools (MPS) would all fit together in the formulation of a possible bond package.

Discussion ensued relative to the fact that in the next two to three weeks, staff would come back to the Council to discuss potential capital needs options for the Parks, Recreation and Community Facilities (PRCF) Department and Public Safety; that staff would seek Council direction at that time with respect to moving forward with certain projects and developing costs for such projects that Mesa voters would be willing to support; and that staff did not anticipate a November bond election with respect to Utility capital projects (i.e., water, wastewater, gas and electric).

Mayor Smith thanked staff for the presentation.

2-b. Hear a presentation, discuss and provide direction on the Series 2012 Bond Sales and the proposed updated Bond Compliance Policy.

City Manager Christopher Brady thanked Larry Given of Wedbush Securities, the City's financial advisor, for assisting staff in the recent restructuring and refinancing of various bonds that will result in the City saving an estimated \$72.1 million in debt service payments over the next five years.

Senior Executive Manager Chuck Odom introduced Mr. Given, who was prepared to assist with the presentation. He also acknowledged Scott Ruby, the City's bond counsel, who was present in the audience.

Mr. Odom displayed a PowerPoint presentation (**See Attachment 2**) and reported that this item was a follow-up to the March 29, 2012 Study Session. He referenced a document titled "City of Mesa, Bond Obligations Prior to Series 2012 Sales" (See Page 2 of Attachment 2) and reviewed the current outstanding principal as follows: General Obligation (G.O.) Bonds (\$284 million); Utility Systems Revenue Bonds (\$909 million); and Street & Highway User Revenue Fund (HURF) Bonds (\$125 million). Mr. Odom noted that in the past, the Council made a policy decision that no additional HURF debt would be issued.

Mr. Odom highlighted the current fiscal year G.O., HURF and Utility Bonds savings as a result of the 2012 refunding activity. (See Pages 3 and 4 of Attachment 2) He explained that in fiscal

years 2013 through 2017, the City would realize a \$61.5 million reduction in debt service payments.

Mr. Odom referenced a graph illustrating G.O. Debt Service Schedules, including prior to the 2012 refunding; after the 2012 refunding; after the planned 2018 refunding; and without a Secondary Property Tax levy. (See Page 5 of Attachment 2) He pointed out that staff was aware of the fact that in FY 2017/18 there will be opportunities for future refunding to occur.

In response to a question from Mayor Smith, Mr. Odom explained that if the market conditions were such that refunding is not available or not advisable at that time, staff has also included such a scenario in their financial forecast. He pointed out that the spike in debt, as demonstrated on Page 5, relates to pre-2008 authorization.

Responding to a question from Mr. Brady, Mr. Given clarified that the particular bond in question is an advance refunding bond, which is non-callable, and stated that the City cannot refinance it as a tax exempt bond. He explained that staff proposes to restructure the bond in 2018, issue tax exempt bonds and spread the debt service out into the future.

In response to a series of questions from Mayor Smith, Mr. Given indicated that because the advance refunding bond is non-callable, the City would escrow the existing bonds to their maturity and issue the new bonds in a different structure. He stated that could be accomplished at this time, but pointed out that the cost of the negative arbitrage and the escrow, which is the amount of interest that the City can earn between now and the date the bonds mature, is so minor as compared to the interest rate on the taxable debt. Mr. Given advised that the negative arbitrage makes it cost prohibitive for the City to move forward at this time and added that he would advise against doing so.

Mayor Smith commented that even though the City has the ability to issue tax-exempt debt, issuing taxable debt is a positive tool that can be used to reduce overall costs and spread out debt service.

Discussion ensued relative to the definitions of arbitrage and negative arbitrage.

Mr. Odom continued with the presentation and provided a short synopsis of a graph illustrating the Utility Revenue Debt Service Schedules. (See Page 6 of Attachment 2) He reported that in FY 2017/18 there will also be opportunities for staff to look at the restructuring of such debt for future savings. Mr. Odom added that since most of the debt has been converted to taxable debt, staff will attempt to restructure it back to tax-exempt debt to further reduce interest rates.

Mr. Odom, in addition, briefly reviewed the HURF Debt Service Schedules (See Page 7 of Attachment 2), which illustrate HURF Bond debt service prior to the 2012 refunding and subsequent to that time.

Mr. Odom discussed agenda item 5b (Ordering the sale of \$27,290,000 principal amount of City of Mesa General Obligation Bonds, Series 2012; and authorizing the reimbursement of bond proceeds of certain advances on construction projects), which is included on the April 2, 2012 Regular Council meeting agenda for Council approval. He explained that in 2008, \$27.9 million in G.O. Bonds were authorized, with \$5.2 million earmarked for Public Safety projects and \$22.1 million for Streets projects. Mr. Odom said that in 2013 and 2014, the balance of the 2008

authorization (Public Safety - \$8.4 million and Streets - \$35.7 million) will be sold. He offered a short synopsis of the G.O. bond projects included in the bond sale. (See Page 9 of Attachment 2)

Mr. Odom also spoke regarding agenda item 5c (Ordering the sale of \$67,300,000 principal amount of City of Mesa Utility Systems Revenue Bonds, Series 2012; and authorizing reimbursement of bond proceeds of certain advances on construction projects). He remarked that in 2006 and 2010, \$67,300,000 in Utility Bonds were authorized and briefly outlined the allocations with respect to the Electric, Natural Gas, Water and Wastewater Systems. (See Page 10 of Attachment 2) He added that the balance of the authorization (\$148.4 million) will be sold in 2013 and 2014.

Mr. Odom further reported that staff was seeking Council action with respect to agenda item 5a (Approving and authorizing the City Manager to adopt the issuance and post-issuance compliance procedures relating to Tax Exempt Bonds, other Tax-Exempt Financing and Build America Bonds.)

Mr. Odom advised that Federal tax law encourages tax-exempt bond issuers to develop written issuance and post-issuance compliance procedures related to those bonds and stated that staff wanted to ensure that the City was maintaining that status. He stated that failure to comply may cause the City to be liable to the bondholders. He briefly reviewed the five key areas that the compliance procedures address. (See Page 12 of Attachment 2)

Mr. Odom concluded his presentation by reviewing the Series 2012 Bond Sale Schedule. (See Page 13 of Attachment 2)

Mayor Smith thanked everyone for the presentation.

2-c. Hear a presentation, discuss and provide direction on the Secondary Property Tax Levy.

Senior Executive Manager Chuck Odom displayed a PowerPoint presentation (**See Attachment 3**) and reported that in the past few years, the City of Mesa has maintained its Secondary Property Tax levy amount. He noted, however, that it was important to put that into perspective with respect to what has occurred with the Secondary Assessed Valuation (SAV), which drives the amount of the Secondary Property tax rate.

Mr. Odom explained that due to the economic downturn in the region in recent years, the SAV has declined (See Page 2 of Attachment 3) and stated that in FY 2012/13, that amount has decreased by 12.4%.

Mayor Smith clarified that properties have not “disappeared,” but noted that there has been a change, per the Maricopa County Assessor’s Office, in their value. He stated that the reductions are commensurate with what has occurred countywide.

Mr. Odom confirmed Mayor Smith’s comments and pointed out that Mesa’s property values have not been impacted as significantly as some other metro Phoenix communities.

Mr. Odom advised that Mesa’s 2011/12 tax rate is \$0.4469 for each \$100 of assessed valuation. He stated that on an average assessment of \$139,913, the levy amount is \$62.52. Mr. Odom

remarked that in order to maintain the same levy amount, staff is estimating a 2012/13 tax rate of \$0.5104 on an average assessment of \$122,492. He added that such amount would result in an average impact of \$0.00 and also maintain Mesa's levy amount of \$14.1 million.

City Manager Christopher Brady clarified that the average assessment amount is derived from the Maricopa County Assessor's Office, recognizing that some assessments could be more or less than the estimated rate. He stressed the fact that staff has attempted to determine "an average value," and then start with the levy, which they have endeavored to maintain since the inception of the Secondary Property tax.

Mayor Smith restated that by doing what Mr. Brady described, staff's objective is that the average Mesa property owner will pay the same amount of Secondary Property tax each year.

In response to a question from Councilmember Finter, Mr. Odom clarified that staff sets the Secondary Property tax levy amount based on the 2008 authorization.

Mr. Brady briefly highlighted a document comparing Mesa's local property tax rates with those of other communities (See Page 4 of Attachment 3) and also a comparison of G.O. Bond debt per resident in various communities. (See Page 5 of Attachment 3)

Mayor Smith commented that relatively speaking, Mesa is a very low debt community.

Mayor Smith thanked Mr. Odom for the presentation.

3. Acknowledge receipt of minutes of various boards and committees.

3-a. Audit, Finance & Enterprise Committee meeting held January 19, 2012.

It was moved by Councilwoman Higgins, seconded by Councilmember Kavanaugh, that receipt of the above-listed minutes be acknowledged.

Mayor Smith declared the motion carried unanimously by those present.

4. Hear reports on meetings and/or conferences attended.

Councilwoman Higgins: Falcon Field Airport Open House

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Thursday, April 5, 2012, 7:30 a.m. – Study Session

Saturday, April 7, 2012, 11:00 a.m. – Wingstock

6. Convene an Executive Session.

It was moved by Councilmember Glover, seconded by Councilwoman Higgins, that the Council adjourn the Study Session at 5:21 p.m. and enter into Executive Session.

Mayor Smith declared the motion carried unanimously by those present.

- a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. 38-431.03A(1)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))
  1. City Clerk Review
  2. Bailey Gunning v. City of Mesa, CV2011-002335

7. Adjournment.

Without objection, the Executive Session adjourned at 5:49 p.m.

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SCOTT SMITH, MAYOR

ATTEST:

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LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 2<sup>nd</sup> day of April, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

pag  
(attachments – 3)

# City of Mesa

## 2012 - 2017 Capital Improvement Program (CIP) Overview

City Council Study Session

April 2, 2012

Presented by the Office of Management and Budget



mesa·az

# CIP Draft Document

- A draft copy of the CIP is available on the City of Mesa's website. City staff continue to review and refine the list of needed projects and the available funding sources.
- Significant projects will be highlighted during the presentations made by the individual departments.

# Project Types

- Projects fall into one of three types.
  - *Funded*: These projects have funding sources identified and have been programmed within the five years.
  - *Planned Future Needs*: These projects do not have funding authorized, but they are identified as projects that should be completed within the next five years.
  - *Future Growth Needs*: These projects do not have funding authorized. The programming of these projects is dependent on growth/service demand, financial resources available and the sustainability of related operations.

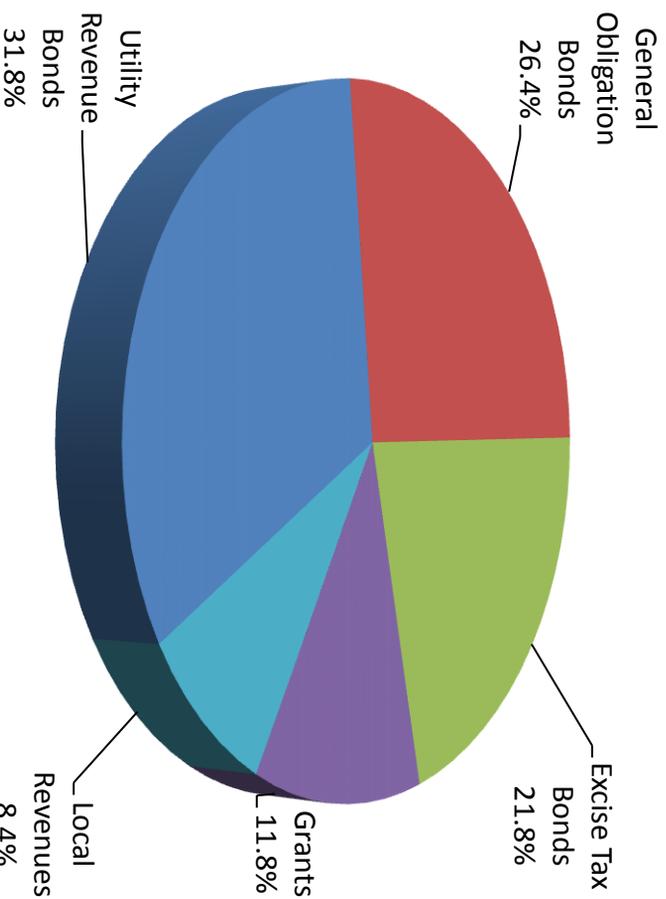
# Funded Project Examples

- Fiesta District Police Substation
  - Public General Obligation Safety Bond Funding
- Mesa Drive: Southern Ave to US 60
  - Streets General Obligation Bond Funding
  - Utility Revenue Bond Funding

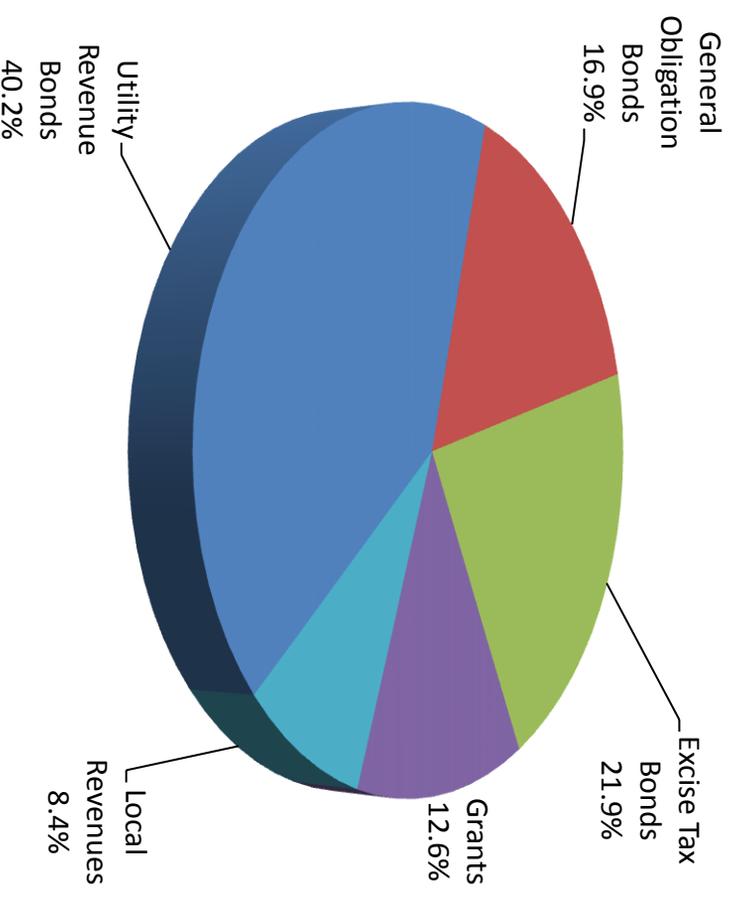
# Funded Project Summary

## Five-Year CIP

FY 12/13



Five Year Total



# Funded Project Summary

## Five-Year CIP

<b>Funding Source</b>	<b>FY 12/13</b>	<b>5-Year CIP</b>
Utility Revenue Bonds	70,057,663	153,174,109
General Obligation Bonds	58,217,636	64,276,075
Excise Tax Bonds	47,983,864	83,320,894
Grants	26,015,552	47,859,672
Local Revenues	18,556,599	31,926,451
	<b>220,831,314</b>	<b>380,557,202</b>

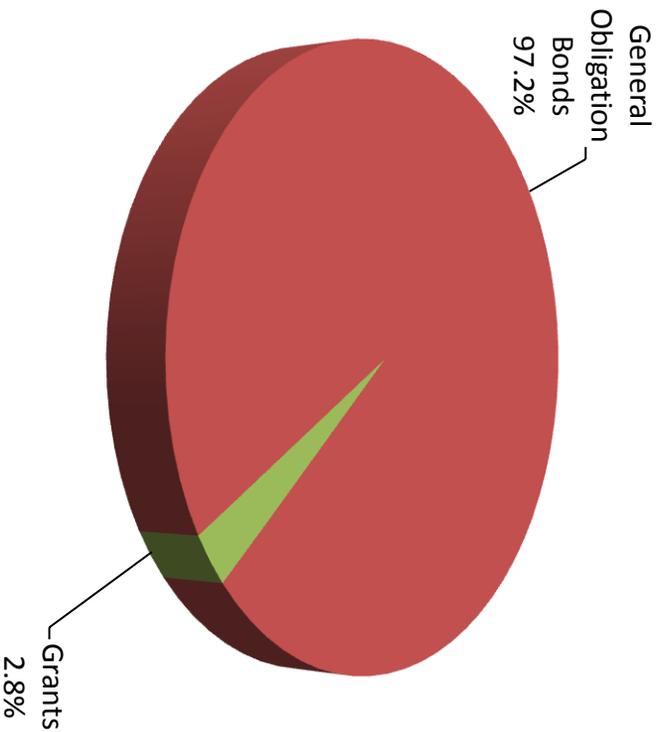
# Planned Project Examples

- Fire Station 203 Relocation
  - Public Safety General Obligation Bond Funding
- Mesa Drive & Broadway Intersection
  - Streets General Obligation Bond Funding
  - Utility Revenue Bond Funding

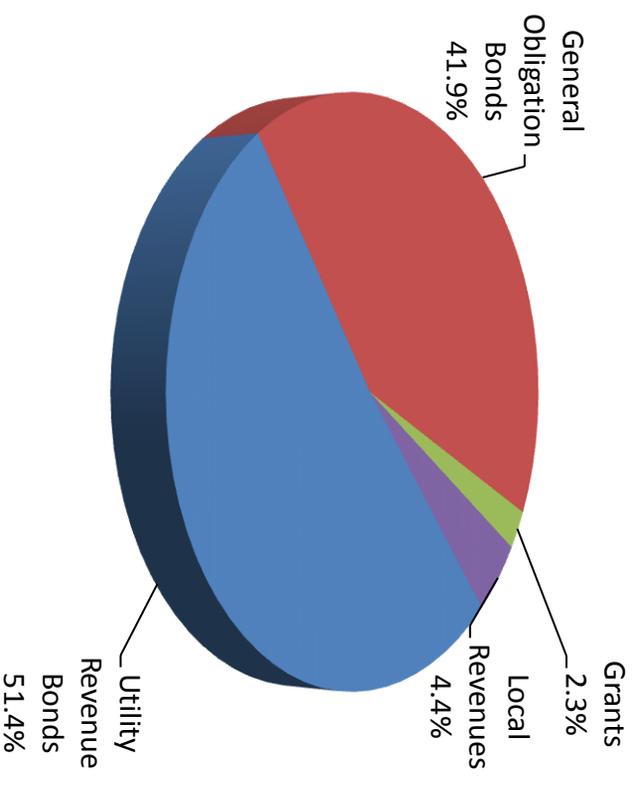
# Planned Future Needs Summary

## Five-Year CIP

FY 12/13



Five-Year Total



# Planned Future Needs Summary

## Fiscal Year 2012/13

<b>Funding Source</b>	<b>FY 12/13</b>	<b>5-Year CIP</b>
Utility Revenue Bonds	-	189,073,258
General Obligation Bonds	6,021,462	154,218,462
Grants	175,000	8,376,005
Local Revenues	-	16,288,504
	6,196,462	367,956,230

# Future Growth Needs Examples

- Warner Rd; Power to Sossaman
- Fire Stations: New, Expansion, Remodel
- Public Safety Training Facility Improvements
- Northeast Police Substation

# 12/13 Budget Calendar

March 29	<ul style="list-style-type: none"> <li>• Budget Presentations Begin</li> </ul>
April 2	<ul style="list-style-type: none"> <li>• CIP Overview and Draft CIP</li> </ul>
April 12	<ul style="list-style-type: none"> <li>• Audit &amp; Finance reviews Utility Rates</li> </ul>
April 26	<ul style="list-style-type: none"> <li>• City Council reviews Utility Rates</li> </ul>
May 7	<ul style="list-style-type: none"> <li>• Budget summary and wrap-up</li> </ul>
May	<ul style="list-style-type: none"> <li>• Preliminary Executive Budget and Preliminary Capital Improvement Plan submitted to Council</li> </ul>
June 4	<ul style="list-style-type: none"> <li>• Council adopts the 12/13 Tentative Budget</li> </ul>
June 18	<ul style="list-style-type: none"> <li>• Public Hearing on Final Budget, Capital Improvement Plan, and utility rate adjustments</li> <li>• Council adopts Final Budget, Capital Improvement Program, and utility rate adjustments</li> </ul>
July 2	<ul style="list-style-type: none"> <li>• Council adopts Secondary Property Tax levy</li> <li>• Council calls November 2012 election</li> </ul>



# Series 2012 G.O & Utility Bond Sale

April 2, 2012



# City of Mesa, Bond Obligations Prior to Series 2012 Sales

## Outstanding Principal:

- General Obligation (G.O.) Bonds = \$283,735,000
- Utility Systems Revenue Bonds = \$909,178,330
- Street & Highway User Revenue (HURF) Bonds = \$124,685,000

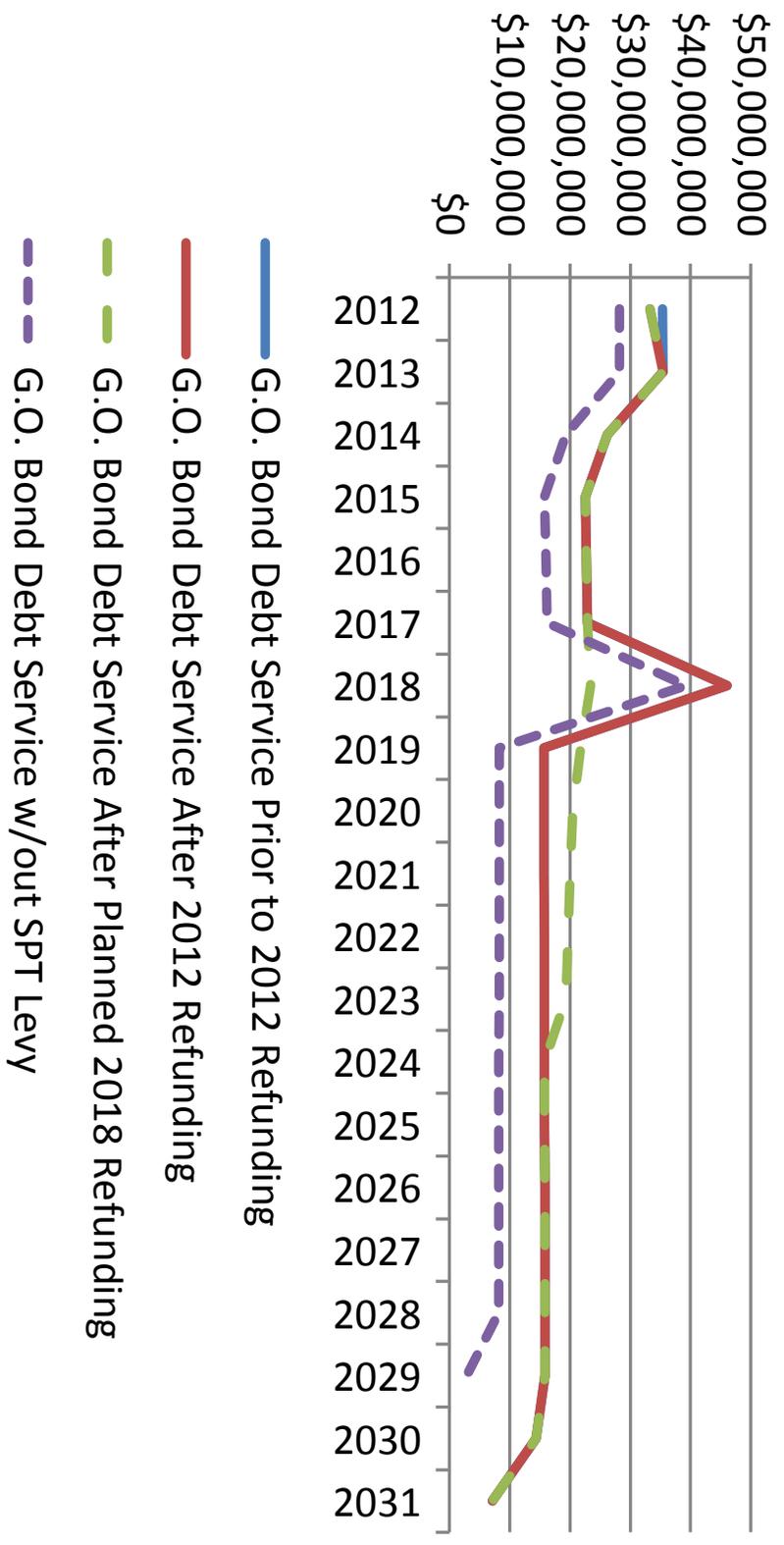
## Results of 2012 Refunding Activity

- G.O. Bond Savings - Current FY  
\$2,137,000
- HURF Bond Savings - Current FY  
\$3,565,000

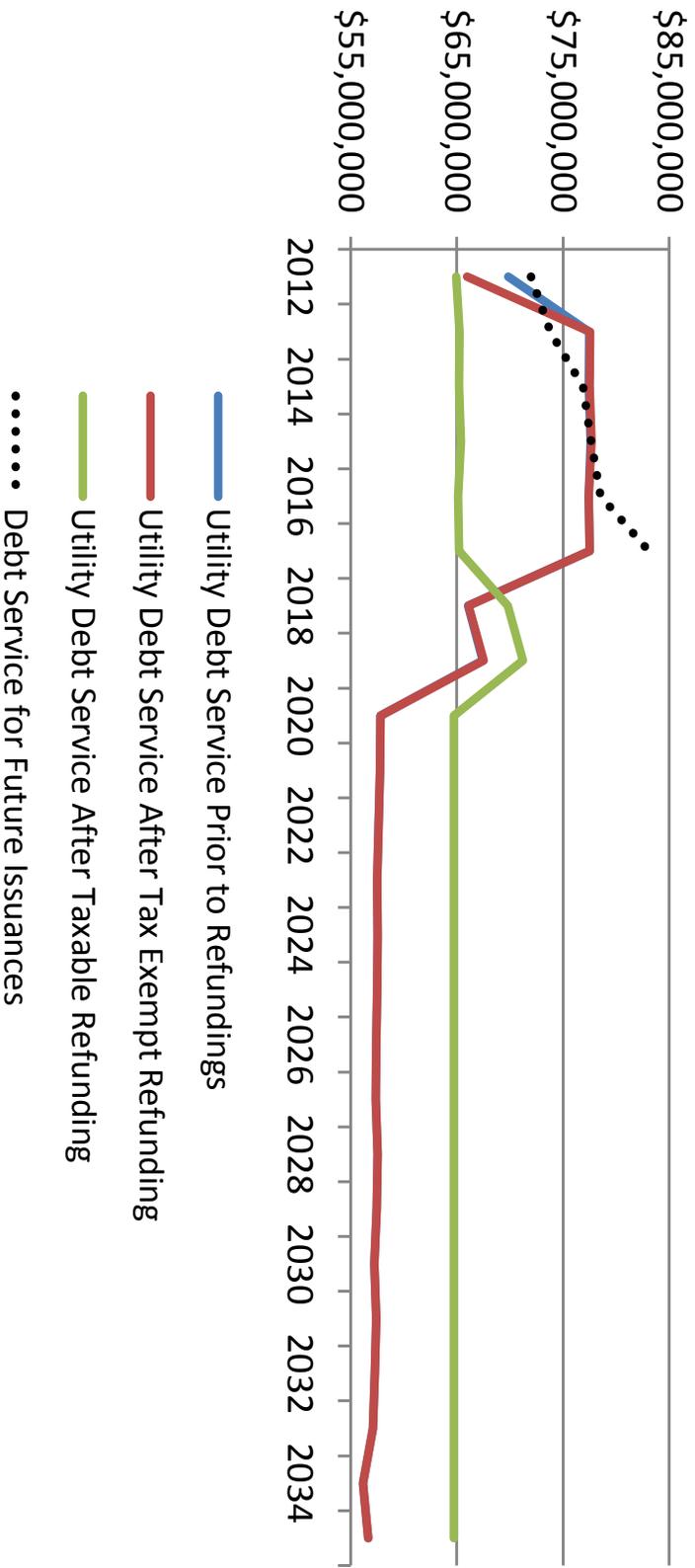
## Results of 2012 Refunding Activity

- Utility Bond Savings - Tax Exempt Refunding  
Current FY \$3,893,000
- Utility Bond Savings - Taxable Refunding:
  - Current FY \$995,000
  - Reduced debt service payments for fiscal years 2013 through 2017 of \$61,541,000

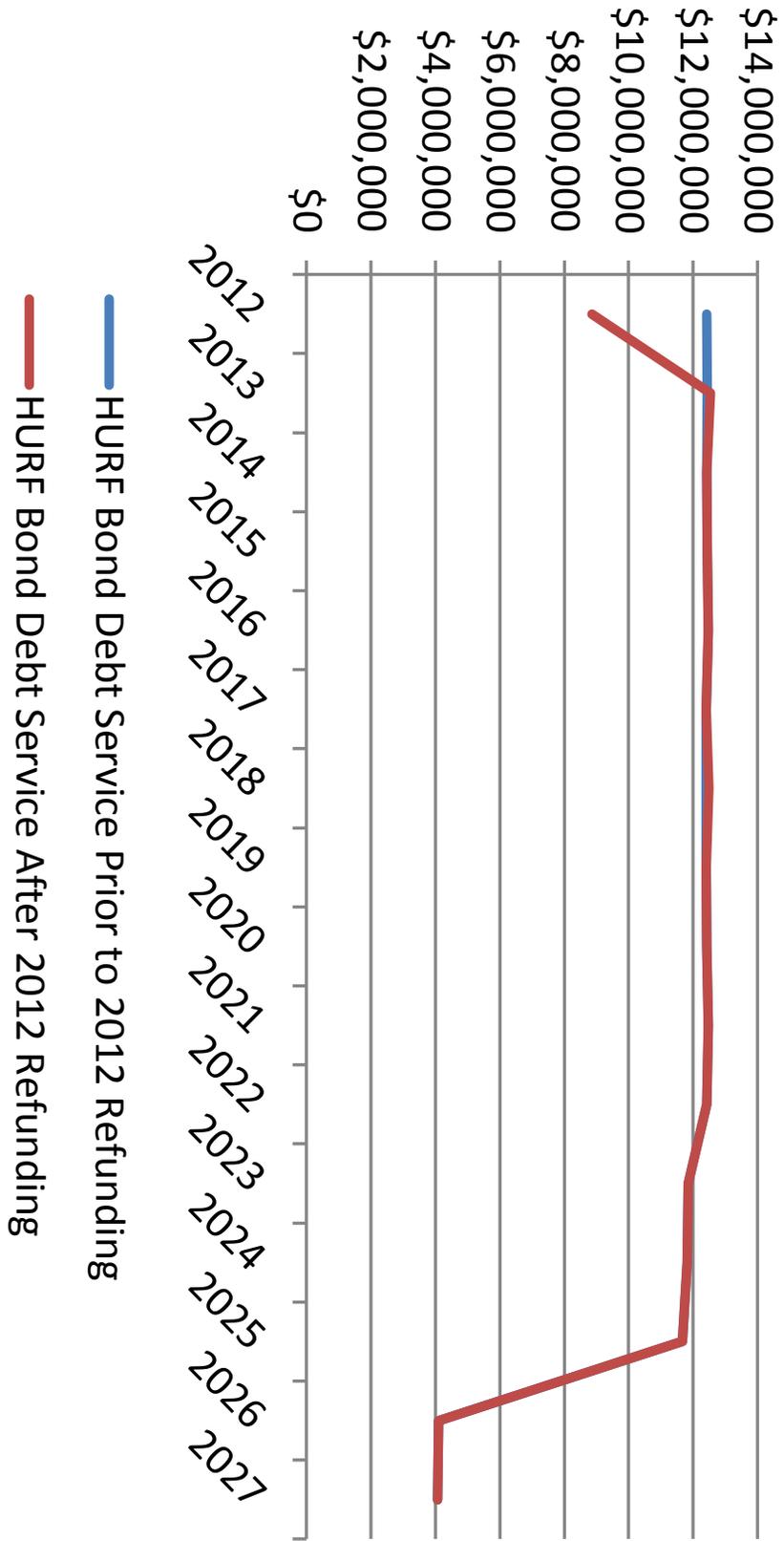
## G.O. Debt Service Schedules



## Utility Revenue Debt Service Schedules



## HURF Debt Service Schedules



# General Obligation (G.O.) Bond Sale Series 2012

- G.O. Bonds Authorized in 2008
  - \$27,290,000
    - Public Safety      \$ 5,170,000
    - Streets              \$22,120,000
  - Balance of 2008 Authorization (Public Safety \$8.4M & Streets \$35.7M) to be sold in 2013 & 2014

# General Obligation (G.O.) Bond Projects

## Public Safety Projects to include:

- Fire Station 203 – Land Acquisition
- Fiesta District Police Station
- Replacement Fire Apparatus
- Various Communication Projects

## Streets Projects to include:

- Mesa Dr., Southern Ave. to U.S. 60
- Intelligent Traffic Signal Conversions
- Power Rd., San Tan Freeway to Pecos Rd.
- Dobson Rd. and University Dr.

## Utility Bond Sale Series 2012

- Utility Bonds Authorized in 2006 & 2010
  - \$67,300,000
    - Electric System \$ 5,650,000
    - Natural Gas System \$13,565,000
    - Water System \$38,725,000
    - Wastewater System \$ 9,360,000
- Balance of Authorization (\$148.4M) to be sold in 2013 and 2014

# Bond Issuance and Post-Issuance Compliance Procedures

- Background
  - Federal tax law encourages tax-exempt bond issuers to develop written issuance and post-issuance compliance procedures related to tax-exempt bonds.
  - Procedures ensure the preservation of the tax-exempt status of the City's bonds throughout the life of the bonds.
  - Failure to comply may cause the City to be (a) liable to the bondholders, (b) subject to enforcement action by the IRS, (c) subject to a loss of all or part of the direct federal subsidy, and (d) subject to enforcement action by the SEC.

# Bond Issuance and Post-Issuance Compliance Procedures

- Compliance Procedures Addresses Five Key Areas
  - Investment of bond proceeds until expended
  - Use of bond proceeds
  - Use of bond financed facilities
  - Arbitrage rebate; and
  - Record retention

## Series 2012 Bond Sale Schedule

- April 2 – Receive Authorization to Sell Bonds
- May 2 – Receive bids
- May 3 – Council Special Meeting to Accept Bond Bids
- Transactions completed by June 30

# Estimated 2012/13 Secondary Property Tax Levy

April 2, 2012



## Secondary Assessed Valuation

- 2010/11 - \$4,094,037,000 (13.8%)
- 2011/12 - \$3,164,277,000 (22.7%)
- 2012/13 - \$2,770,422,000 (12.4%)

# Maintain Average Secondary Property Tax Levy

## Levy

- Current 2011/12 Rate = \$0.4469  
\$139,913 Avg. Assess. @ \$0.4469 = \$62.52
- Estimated 2012/13 Rate = \$0.5104  
\$122,492 Avg. Assess. @ \$0.5104 = \$62.52

**Average Impact (\$0.00)**

# Current Comparative Local Property

## Tax Rates

	<u>Secondary</u>	<u>Primary</u>	<u>Total</u>
Mesa - Current	\$0.4469	\$0.0000	\$0.4469
Mesa - Proposed	\$0.5104	\$0.0000	\$0.5104
Chandler	\$0.9422	\$0.3292	\$1.2714
Gilbert	\$1.1500	\$0.0000	\$1.1500
Glendale	\$1.3699	\$0.2252	\$1.5951
Phoenix	\$0.7658	\$1.0542	\$1.8200
Scottsdale	\$0.6503	\$0.4412	\$1.0915
Tempe	<u>\$1.1291</u>	<u>\$0.6572</u>	<u>\$1.7863</u>
Avg. (excl. Mesa)	\$1.0012	\$0.4512	\$1.4524

# Comparing G.O. Debt per Resident

	Population*	Outstanding G.O. Bond Debt**	G.O. Bond Debt per Resident	Percent of G.O. Debt Limit
MESA	441,160	\$283,735,000	\$643	26.7%
GILBERT	213,519	\$175,915,000	\$824	29.5%
GLENDALE	227,446	\$201,680,000	\$887	44.2%
PHOENIX	1,451,966	\$1,544,488,697	\$1,064	36.9%
CHANDLER	238,381	\$439,135,000	\$1,842	54.3%
SCOTTSDALE	217,965	\$572,740,000	\$2,628	29.9%
TEMPE	162,503	\$454,301,092	\$2,796	69.5%

\*Population is from Maricopa Association of Governments, July 1, 2011 estimates

\*\* Arizona Department of Revenue-2010-11 Fiscal Year