



COUNCIL MINUTES

May 19, 2011

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 19, 2011 at 7:31 a.m.

COUNCIL PRESENT

Scott Smith
Alex Finter
Dina Higgins
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Christopher Glover
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Mayor Smith excused Vice Mayor Somers and Councilmember Glover from the entire meeting.)

1. Hear a report concerning the bids received for the purchase of the City's General Obligation Bonds, Series 2011, and Utility Systems Revenue Bonds, Series 2011. (Bids have been received through an on-line bidding process.)

Senior Executive Manager Chuck Odom introduced Larry Given of Peacock, Hislop, Staley & Given, the City's financial advisor, who was prepared to address the Council relative to this item. He also acknowledged Sarah Smith of Gust Rosenfeld, the City's bond counsel, who was present in the audience.

Mr. Odom reported that yesterday, the City received bids through an on-line bidding service for the sale of \$29,320,000 in City of Mesa General Obligation Bonds, Series 2011 and \$53,950,000 in City of Mesa Utility Systems Revenue Bonds, Series 2011.

Mr. Odom advised that with respect to the General Obligation Bonds, the City received 12 bids, with BOSCO, Incorporated submitting the lowest and best bid with a net interest cost of 3.889928%. He stated that regarding the Utility Systems Revenue Bonds, the City received eight bids and noted that Citigroup Global Markets was the successful bidder, with a net interest cost of 4.956023%.

City Manager Christopher Brady noted that these were very favorable rates for the City of Mesa, which means that the City's cost to borrow was relatively low. He stated that it also demonstrates that the City is very prudent in its financial planning and that Mesa was

recognized in the market with these low rates, which represents low risk to the bondholders. Mr. Brady congratulated Mr. Odom and Mr. Given on their efforts and hard work in this regard.

Mr. Brady briefly highlighted various comments regarding the City of Mesa that were distributed by Standard and Poor's to the investment community that was considering making investments in Mesa as follows: "Strong management policies that ensure a continued strong reserve balance position." "A recent history of strong fund balance levels and moderate overall net debt burden."

Mr. Brady further remarked that two weeks ago, staff made a presentation to the Council regarding the City's debt issuance policy and stated that as reflected in the above-referenced comments from Wall Street, Mesa has successfully managed its debt. He noted, however, that staff would continue to monitor certain areas, such as post-employment benefit liabilities and forecasting the City's contributions to the Arizona State Retirement System to ensure that such contributions are sufficient out into the future.

Mr. Given reported that with respect to the bond sales, there was good timing in the market and significant participation from major Wall Street firms and regional firms. He stated that for the City of Mesa to receive 12 bids on the General Obligation Bonds was, in his opinion, "outstanding."

In response to a question from Councilmember Richins concerning the difference in interest rates between the two bonds, Mr. Given clarified that with regard to the Utility Systems Revenue Bonds, the City has a single maturity date of 2035, while the maturity dates on the General Obligation Bonds range from 2012 to 2031. He stated that the difference in interest rates was not related to credit, but rather the maturity range of the bond issues.

Mr. Brady commented that structuring the Utility Systems Revenue Bonds in this fashion will help the City to avoid "putting more pressure" on the utility rates with regard to the current debt levels for the next five years or so.

Mr. Given added that as the City "works its way through the old regime of bonds through 2017," its annual debt service "will level out" at an estimated \$25 million lower over the remaining period.

Responding to a question from Councilmember Finter regarding the possibility of the City restructuring a portion of its bond debt, Mr. Given explained that next spring, a portion of the City's refunding bonds from the past are subject to call. He stated that such bonds could be replaced with lower coupon bonds, which would provide an opportunity for debt restructuring at that time.

Mayor Smith thanked everyone for the presentation.

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

- 2-a. Providing for the issuance and sale of \$29,320,000 aggregate principal amount of City of Mesa, Arizona, General Obligation Bonds, Series 2011; providing for the annual levy of a tax for the payment of the bonds; awarding bid to the purchaser of the Series 2011 Bonds; prescribing the form and other details of the Series 2011 Bonds – Resolution No. 9850.

(Resolution No. 9850 was adopted by Council action listed under agenda item 2b.)

- 2-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 \$53,950,000 principal amount of City of Mesa, Arizona, Utility Systems Revenue Bonds, Series 2011; awarding bid to the purchaser of the Series 2011 Bonds; prescribing the form and other details of the Series 2011 Bonds – Resolution No. 9851.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Finter, that Resolution Nos. 9850 and 9851 be adopted.

Mayor Smith declared the motion carried unanimously by those present.

3. Items from citizens present.

There were no items from citizens present.

4. Adjournment.

Without objection, the Special Council Meeting adjourned at 7:40 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 19th day of May, 2011. 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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