



COUNCIL MINUTES

May 7, 2009

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 7, 2009 at 7:33 a.m.

COUNCIL PRESENT

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

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Items on the agenda were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

CONSENT AGENDA

All items listed with an asterisk (*) will be considered as a group by the City Council and will be enacted with one motion. There will be no separate discussion of these items unless a Councilmember or citizen requests, in which event the item will be removed from the Consent Agenda and considered as a separate item. If a citizen wants an item removed from the consent agenda, a blue card must be completed and given to the City Clerk prior to the Council's vote on the consent agenda.

1. Take action on all consent agenda items.

It was moved by Councilmember Somers, seconded by Councilmember Kavanaugh, that the consent agenda items be approved.

Carried unanimously.

2. Hear a report concerning the bids received for the purchase of the City's General Obligation Bonds, Series 2009, Utility Systems Revenue Bonds, Series 2009 (Bids have been received through an on-line bidding process).

Deputy City Manager Bryan Raines recalled that in April the Council authorized the sale of General Obligation (G.O.) and Utility Systems Revenue Bonds and shortly thereafter, the Federal Government created a new program, "Build America" Bonds. He stated that utilizing the

new program proved to be very successful for the City of Mesa. Mr. Raines reported that of the six bids received yesterday for the General Obligation Bonds, the lowest bid was from Merrill Lynch at a rate that was two-tenths of one percent lower than last year's bid (see Attachment 1).

Mr. Raines stated that the Revenue Bonds were offered as tax-exempt Utility Revenue Bonds or as taxable "Build America" Bonds. He said that one bid was received for the tax-exempt bonds and nine bids were received for the taxable "Build America" Bonds. Mr. Raines reported that that staff's recommendation to the Council for the "Build America" Bond bid would save the City \$12 million in interest expense over the life of the Bond compared to the tax-exempt Bond. He added that the City of Mesa would be the first municipality in the State of Arizona and one of the first in the country to participate in the "Build America" Bond Program.

Larry Given of Peacock, Hislop, Staley & Given addressed the Committee and stated that the "Build America" Bond market evolved at just the right time for the City of Mesa. He explained that the Federal government will pay 35 percent of each semi-annual interest for the Utility Systems Revenue Bonds. Mr. Given referred to the "Summary of Bids" (see Attachment 2) and explained that second column reflects the impact of the 35 percent government subsidy on the interest rate. He advised that technical issues prevented the City from utilizing the "Build America" Program for the General Obligation Bonds this year.

Mayor Smith explained that although investors typically gravitate to tax-free municipal bonds because of the yield, current market conditions diminished that return. He advised that as part of the Federal Stimulus Package, the Federal government will subsidize the interest on taxable bonds, which has created a vibrant market for municipal bonds that would not otherwise exist.

In response to a question from Councilmember Finter, Mr. Given advised that Moody's Investor Service did not change the City's bond rating, which remains the same at A1 for both G.O. and Utility Systems Revenue bonds. He explained that Moody's placed the entire municipal bond market on a negative watch.

Mayor Smith suggested that maintaining the bond rating at A1 was a positive sign for the City when the entire municipal bond market was on a negative watch and other municipalities were being downgraded.

City Manager Christopher Brady noted that the City was upgraded by Standard and Poor's (S&P) last year.

Mr. Given commented on the status of the companies that insure bonds and noted that the G.O. and Utility Systems Revenue Bonds were sold without insurance. He explained that bonds are always priced utilizing the lower of the S&P and Moody's bond ratings.

Mr. Raines said that he would provide the Council with a copy of the written analysis of the bonds by S&P and Moody's, which includes comments about the City's improved fund balances. He stated that having the City reaffirmed at the current rate in the existing market was a positive sign.

Mayor Smith said that bond ratings were a reaffirmation by a third party that the City has good financial management. He stated that although the City strives to improve the bond rating, the primary goal is to provide good government.

Mr. Given noted that the “Build America” Program was more effective than a higher bond rating in providing savings to the City,

Vice Mayor Jones added that the City of Mesa was able to maintain the bond rating when other municipalities are being downgraded and noted that this is a very significant occurrence.

Mr. Raines thanked Mr. Given and Keith Hoskins of Gust Rosenfeld, the City’s bond counsel, for their cooperation and flexibility in adapting to the new strategy.

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

- 3a. Providing for the issuance and sale of \$61,830,000 Aggregate Principal amount of City of Mesa, Arizona, General Obligation Bonds, Series 2009; providing for the annual levy of a tax for the payment of the bonds; prescribing the form and other details of the Series 2009 Bonds – Resolution No. 9489. **(Citywide)**

It was moved by Vice Mayor Jones, seconded by Councilmember Kavanaugh, that Resolution Nos. 9489 (agenda item 3a) and 9490 (agenda item 3b, Option 2) be adopted.

Carried unanimously.

- 3b. Revenue Bonds:

Option 1: 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 \$59,900,000 Principal Amount of City of Mesa, Arizona Utility Systems Revenue Bonds, Series 2009; prescribing the form and other details of the Series 2009 Bonds. **(Citywide)**

Option 2: 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 \$59,900,000 Principal Amount of City of Mesa, Arizona Taxable Utility Systems Revenue Bonds, Series 2009; prescribing the form and other details of the Series 2009 Bonds – Resolution No. 9490. **(Citywide)**

(Resolution No. 9490 was adopted by Council action as listed under agenda item 3a.)

4. Take action on the following resolutions:

- 4a. Approving and authorizing the City Manager to proceed with an application to the Department of Housing and Urban Development (HUD) for FY 2009-2010 funding for nonprofit organization projects through the Community Development Block Grant (CDBG) program – Resolution No. 9486. **(Citywide)**

Vice Mayor Jones declared a potential conflict of interest and said he would refrain from discussion/consideration of agenda items 4a, 4c and 4e.

It was moved by Councilmember Somers, seconded by Councilmember Kavanaugh, that Resolution Nos. 9486, 9487 and 9488 be adopted.

Upon tabulation of votes, it showed:

AYES – Finter-Higgins-Kavanaugh-Richins-Smith-Somers
NAYS – None
ABSTAIN – Jones

Mayor Smith declared the motion carried unanimously by those voting and Resolution Nos. 9486, 9487 and 9488 adopted.

- *4b. Approving and authorizing the City Manager to proceed with an application to the Department of Housing and Urban Development (HUD) for FY 2009-2010 funding for City Department projects through the Community Development Block Grant (CDBG) program – Resolution No. 9483. **(Citywide)**
- 4c. Approving and authorizing the City Manager to proceed with an application to the Department of Housing and Urban Development (HUD) for FY 2009-2010 funding for nonprofit organization projects through the HOME Investment Partnerships (HOME) program – Resolution No. 9487. **(Citywide)**

(Resolution No. 9487 was adopted by Council action as listed under agenda item 4a.)

- *4d. Approving and authorizing the City Manager to proceed with an application to the Department of Housing and Urban Development (HUD) for FY 2009-2010 funding for City Department projects through the HOME Investment Partnership (HOME) program – Resolution No. 9484. **(Citywide)**
- 4e. Approving and authorizing the City Manager to proceed with an application to the Department of Housing and Urban Development (HUD) for FY 2009-2010 funding for nonprofit organizations through the Emergency Shelter Grant (ESG) program – Resolution No. 9488. **(Citywide)**

(Resolution No. 9488 was adopted by Council action as listed under agenda item 4a.)

- *4f. Approving and authorizing the City Manager to approve the City of Mesa Annual Action Plan for FY 2009-2010 and the One-Year Consolidated Plan for FY 2009-2010 – Resolution No. 9485. (Citywide)

5. Items from citizens present.

There were no items from citizens present.

6. Adjournment.

Without objection, the Special Council Meeting adjourned at 7:54 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 7th day of May 2009. 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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Attachments (2)