



## COUNCIL MINUTES

January 19, 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 January 19, 2012 at 7:30 a.m.

### COUNCIL PRESENT

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

### COUNCIL ABSENT

Scott Smith

### OFFICERS PRESENT

Christopher Brady  
Debbie Spinner  
Linda Crocker

Vice Mayor Somers excused Mayor Smith from the entire meeting.

1. Review items on the agenda for the January 23, 2012 Regular Council meeting.

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

Conflict of interest: None.

Items removed from the consent agenda: 7-a

2-a. Hear a presentation, discuss and provide direction on the Series 2012 General Obligation, Utility Systems Revenue and Street and Highway User Revenue Refunding Bonds, including potential Utility Systems Revenue Bonds debt service restructuring.

Responding to a question from Councilwoman Higgins, Senior Executive Manager Chuck Odom explained that refunding bonds is similar to refinancing a home.

Mr. Odom introduced Larry Given, of Wedbush Securities, the City's financial adviser, who was prepared to address the Council. He also acknowledged Scott Ruby, of Gust Rosenfeld, the City's bond counsel, who was present in the audience.

Mr. Odom displayed a PowerPoint presentation (**See Attachment 1**) outlining the potential refunding of the Series 2012 General Obligation (G.O.), Utility and Highway Users Revenue Fund (HURF) bonds. He explained that the refunding of bonds would be based on the current market conditions and would generate savings for the City. (See Page 2 of Attachment 1) He briefly highlighted the three types of bonds that staff was seeking authorization to exchange interest rates on as follows:

- General Obligation Refunding Bonds, not to exceed \$40 million
- Utility Systems Revenue Refunding Bonds, not to exceed \$50 million
- Street & Highway User Revenue Bonds, not to exceed \$55 million

In response to a question from Councilmember Richins, Mr. Odom explained that without extending the length of the term the interest rates on the bonds will be exchanged for the current market rate. He added that most of the savings generated from this change would occur during this fiscal year.

Responding to a question from Councilmember Finter, Mr. Given explained that it is anticipated that two different series of bonds from the years 2002 and 2003 will be refunded. He said that the average interest rate on the bonds to be refunded is approximately 4.25% and that current market conditions suggest that the bonds could be reissued at 2.15%. He noted that the terms of the bonds would not be changed and that the savings generated would occur in this fiscal year.

City Manager Christopher Brady advised that a threshold amount has been established with regards to the net savings.

Mr. Given explained that the City's policy requires a present net value savings of 3% after all expenses have been paid.

In response to a question from Councilwoman Higgins, Mr. Given explained how the present net value savings is calculated using the refunded debt and the refunded bonds. He said the net present value savings after all expenses have been paid must be at least 3% of the principal amount of the refunded debt.

Mr. Given advised that other issues could come into play if market conditions improved. He said that if the City Council were to provide the authorization to refund more bonds the City could take advantage of additional savings opportunities.

Responding to a question from Councilwoman Higgins, Mr. Brady explained that 3% is a standard percentage used to calculate the present net value savings. He stated that not all outstanding bond series are callable and therefore, cannot be refunded at this time. He said that there could be bonds with higher interest rates however, those bonds are not in a position where the City could take advantage of the savings.

Mr. Given advised that there are bonds with higher rates however, it would be a number of years before those bonds became callable. He said that the bonds that have been presented to the Council today will be callable within the next 18 months. He added that bonds that are not callable for five or six years are difficult to refund due to the reinvestment interest rate.

Mr. Brady remarked that staff has been waiting for this opportunity since 2006.

Mr. Odom stated that staff continually reviews the bonds for these types of opportunities. He briefly highlighted the series of bonds that would potentially be refunded. (See Page 3 of Attachment 1)

Mr. Odom displayed a chart (See Page 4 of Attachment 1) that illustrated the potential savings that could be generated by refunding the G.O. Bonds. He stated that the estimated savings on the Utility Systems Revenue Tax Exempt bonds would be 7.16% and the savings for Street and HURF bonds could be 5.96%. Mr. Odom reiterated that most of the savings would be incurred in FY 2011/2012 and the scheduled completion for the existing debt service payments would be retained.

Mr. Odom stated that because of this unique situation staff is seeking authorization to convert up to \$100 million in Utility Systems Revenue Refunding Taxable Bonds. He said that this exchange would affect Utility Systems Revenue Bond Series 2002 and 2002A. (See Page 6 of Attachment 1)

Mr. Odom referred to a graph entitled Series 2012 Taxable Utility Systems Refunding Bond Sale (See Page 7 of Attachment 1) that compared the existing and restructured Utility Systems Revenue Bond debt service. He explained that the gross existing debt service has a debt threshold of approximately \$77.5 million and that the restructured debt would be approximately \$66 million.

Discussion ensued relative to the refunding of tax exempt debt out into the future.

Mr. Odom advised that there would be a financing cost and that staff would continue to explore opportunities to potentially reconvert taxable debt into non-taxable debt at historically lower rates.

Mr. Brady explained that for the last six years staff has had to come to the Council and propose some significant rate increases. He pointed out that in 2007 the Utility System Bond Debit was approximately \$33 million and that this year it is \$77.5 million. He added that the City is trying to create certainty within the debt service schedule.

In response to a question from Councilmember Kavanaugh, Mr. Brady explained that in the prior forecast it was anticipated that there would be discussions regarding rate increases. He said with this schedule it is not expected that staff would need to discuss rate increases with the Council for the next couple of years. He advised that staff would be coming before the Council in the near future to discuss the Utilities Capital Improvement Program.

Responding to a question from Councilmember Richins, Mr. Brady explained that dramatic changes were made to the utility rates last year and that there could be discussions regarding future utility rate changes. He noted that there would be costs associated with taking advantage of this tremendous opportunity.

Mr. Odom explained that in the first five years after the restructuring the City would generate approximately \$56.7 million in additional cash flow. He advised that new forecast models would be prepared and brought back to the Council that would demonstrate the new cash flow. He indicated that staff would attempt to predict what the new threshold would be in order to calculate the rates.

Extensive discussion ensued regarding the effects that the additional cash flow could have on the debts, utility rates and projects that need to be completed.

Mr. Brady advised that there would be discussions in the future with regard to the Strategic Planning Process. He noted that the City has recently experienced an increase in residential customer accounts.

Vice Mayor Somers remarked that refunding the bonds could help lower the utility rates however, it would be unrealistic to think that the City would not experience any type of growth or changes to the system. He stated that there are necessary projects that will need to be completed with regards to the infrastructure and that refinancing the debt at a lower interest rate will help absorb some of the future rate increases.

Mr. Odom said that staff is proposing that up to \$100 million in tax-exempt utility bonds be converted into taxable debt which would then be refinanced. He advised that the potential costs of this transaction would be \$9.2 million however, it is anticipated that some of those costs would be recaptured through the refunding.

Mr. Odom briefly outlined some of the factors that would be considered during this process and his comments included but were not limited to: the reduced debt threshold that would allow for the reconsideration of recently modeled future rate increases; improved revenue to debt service coverage requirements; reducing fund balance reserve requirements and allowing for the consideration of additional cash funded projects. (See Page 14 of Attachment 1)

Mr. Odom displayed and reviewed the Refunding Bond Sales Schedule. (See Page 15 of Attachment 1)

Councilmember Finter expressed his support for the proposal and said that “the City of Mesa is one of the least debted local governments in the Valley.” He said that during the most difficult financial times the City’s credit rating was upgraded when the Federal Government’s credit rating, as well as that of other nations, was down-graded. He added that this is another example of the City’s good management and the positive changes taking place the community.

Mr. Brady advised that staff would be seeking Council’s direction at the meeting on Monday.

2-b. Hear a presentation and discuss the City Plaza Landscaping Transformation Project.

Utility Conservation Specialist Donna DiFrancesco introduced Director of Facilities and Maintenance Dennis Ray, Landscape Architect Steven Stettler, and Development Services Special Projects Manager, Laura Hyneman. She advised that the presentation would provide an overview of the landscape transformation that would be taking place at City Plaza.

Ms. DiFrancesco advised that as part of the Water Conservation Program the City offers a \$500 rebate to residents who remove at least 500 square feet or more of grass. She said that the City recently received a grant from the Bureau of Reclamations that will allow the "Grass-to-Xeriscape" program to expand and include commercial properties, Home Owners Associations (HOA's), multifamily housing and municipal projects. She added that after meeting with the Facilities Department it was determined that City Plaza would be a good location for this project as it would provide the public visibility necessary to educate citizens on the "Grass-to-Xeriscape" program.

Ms. DiFrancesco displayed a photograph (**See Page 2 of Attachment 2**) of the slopped grassy areas around City Plaza and said that this would be a "big project that would require a big plan."

Ms. Hyneman advised that City staff reached out to landscape design professionals who have worked with the City on other projects and hosted a charette. She said that 12 landscape professionals donated their time to help create a sustainable landscaping project that focused on "placemaking" and creating a sense "that one had arrived" at one of our City's most important buildings.

Ms. Hyneman displayed a sketch (See Page 6 of Attachment 2) that illustrated some of the ideas the landscape professionals developed such as:

- Unifying the site with consistent under-story plantings
- Use of desert cobble and boulders pointing towards the entrance
- Reduced sign clutter and exploring new ways to provide signage
- Massive rows of plantings to represent the City's groves and agricultural past
- Colorful plants to define driveways and walkways
- Colored asphalt that would provide directional cues for visitors
- Opening steel gates for a more welcome entrance

Mr. Stettler continued with the presentation and said that different sized granite will be used to provide a rustic desert feel. He explained that the decomposed granite will lock itself into place to handle water run-off and that the color of the granite will unify the ground plane. Mr. Stettler displayed photographs illustrating the wide variety of shapes, colors and plant forms that will be used to enhance the area. (See Pages 7 through 11 of Attachment 2)

Mr. Stettler displayed an artist's rendition of the northeast entrance of City Plaza (See Page 12 of Attachment 2) and said that the new landscaping will create a pleasant entrance into the facility. He stated that considering the funding that was available it was determined that the northeast entrance of the City Plaza building would be the most appropriate place to begin this landscaping project.

Mr. Stettler briefly highlighted the Master Plan and the different phases of the project. (See Pages 13 & 14 of Attachment 1) He indicated that the areas surrounding the parking lot would be completed in a future phase.

Mr. Ray advised that Facilities Maintenance has been trying to obtain funding for this project for a number of years. He explained that the grass has been difficult to maintain since the City stopped over-seeding and that this project would be an opportunity to make optimal use of the grant money. He added that as part of this project the signage in the area would be reviewed and minimized.

Mr. Brady commented that up to this point all the work for this project including the Master Plan and design has been donated. He said that this project has been a community effort involving professionals and local businesses that will demonstrate how xeriscape works. Mr Brady thanked staff for their efforts in obtaining this grant.

Mr. Ray advised that the project, which is scheduled to begin tomorrow, will cause some inconveniences and that at least four parking spaces would be blocked. He added that it is anticipated that the project will be completed by the first week in February.

In response to a question from Councilwoman Higgins, Mr. Ray explained that the trees will not be removed and that new irrigation lines would be installed specifically for the trees.

Mr. Stettler advised that the irrigation system will be changed from a system that operates on gallons-per-hour to one that operates on gallons-per-minute and that this change would provide a substantial savings to the City.

Ms. Hyneman recognized the following individuals for their efforts on this project:

- Jeff Engelmann, J2Desgin
- Trevor Barger, Espiritu Loci
- Marc Beyer, The Design Element
- Jeff Anderson, The Design Element
- Christopher Jones, Suite Design Group
- Steven Vollmer, Vollmer & Associates
- Brett Anderson, Anderson Baron
- Andrew Baron, Anderson Baron
- Roger Socha, Ten Eyck Landscape Architects
- Wendy LeSueur, LeSueur Design

2-c. Hear a presentation and discuss the Phoenix-Mesa Gateway Airport Aircraft Maintenance, Repair and Overhaul Facility Project.

Economic Development Project Manager Scot Rigby advised that the Maintenance, Repair and Overhaul (MRO) project is a partnership that has been “in the works” for over a year. He recognized the following individuals who have been involved in this project: Casey Denny, Assistant Director for the Phoenix-Mesa Gateway Airport, Lee Benson, President of Able Engineering, Scott Ruby, of Gust Rosenfeld, the City’s Bond Counsel, Larry Given, Financial Advisor from Wedbush Securities, the City’s Engineering Department and the City Manager’s office.

Mr. Rigby provided a brief background of the development at the airport and said that most of the buildings at the airport are 50,000 square feet or smaller. He advised that there have been several clients that have expressed an interested in this area but have chosen other locations due to the airport's lack of facilities.

Mr. Rigby reported that the airport and the City have agreed to design, bid, construct and lease a large airport MRO facility for aircraft. He stated that this project would enable the airport to attract an MRO user as well as provide the airport with an opportunity to gain experience in the bond market. **(See Page 4 of Attachment 3)** Mr. Rigby noted that this project could serve as a precursor for the eastside terminal.

Mr. Rigby advised that the airport has designed and will build a 186,000 square foot facility at a cost not to exceed \$22 million. He said that the City will commit to make lease payments equal to the 25-year bond obligations. He explained that the City will then sublease the building to a tenant or tenants for a lease amount equal to the annual bond debt and premise rent.

Mr. Rigby said that the tenant (Able Engineering) has agreed to provide to the airport, at their sole cost, all project design and engineering documents which will enable the airport to solicit public bids. He advised that 11 bids were received and that the low bid was awarded to D.L. Withers. Mr. Rigby stated that a permit is ready to be pulled if the project is approved on Monday night and that construction should being in April.

Mr. Rigby displayed a map that illustrated where the building would be located southwest of the terminal. He said that the 186,000 square foot building would be the largest facility at the airport and would be twice the size of the Cessna building.

Responding to a question from Councilwoman Higgins, Mr. Rigby explained that once approval is received that it would take until the end of February to sell the bonds therefore, construction would not able to begin until April 1<sup>st</sup>. He added that this project would require an approximate 10-month construction period and would be completed in 2013.

Mr. Benson addressed the Council and provided a brief history of Able Engineering's growth. He said when discussions between the City and Able Engineering first began Able estimated that they would have at least 250 employees within the first couple of years after opening the facility. He reported that Able Engineering has grown faster than anticipated and currently has 320 employees. Mr. Benson advised that Able added 100 jobs last year and that at least another 50 jobs will be added this year. He also advised that Able Engineering has started a new business called "Evaluate to Win" which is expected to employ more people than the aerospace company.

Mr. Benson informed the Council that Able Engineering repairs, overhauls and manufactures aircraft parts for operators all over the world. He advised that a third of Able Engineering's business is international business and that foreign competitors are not able to beat them on price. He said that Able is doing their part to bring jobs back into the country and anticipates that by the time they move into the new facility they will have more than 400 aerospace employees.

Vice Mayor Somers remarked that Able Engineering is not only beating foreign competitors on price and quality, they are bringing more jobs into Mesa and the United States.

In response to a question from Vice Mayor Somers, Mr. Benson advised that the average salary at Able Engineering is now around \$100,000 annually and includes full benefits. He said that hourly wages for entry level positions range from \$12.00 an hour to \$40.00 an hour depending on the position.

Mr. Benson remarked that Able Engineering is focused on being the best value alternative. He remarked that the best way for Able to give back to the community is to create jobs.

Mr. Rigby said that Able Engineering's customers include most of the major carriers. (See Page 11 of Attachment 3). He advised that the new facility will have room for additional users and the model allows for new projects.

Mr. Rigby outlined some of Able Engineering's commitments to the project which included: paying for the design and engineering of the project; investing not less than \$6 million and ceasing negotiations with other cities and towns across the United States. He added that the goal is to begin moving this project forward if approved by the Council on Monday night.

Mr. Rigby advised that the airport will issue Tax Exempt Airport Bonds and will apply for a Military Reuse Zone designation. He said this project would be an incentive that will exempt the facility from State and County construction tax, Transaction Privilege Tax (TPT), as well as provide other tax breaks. Mr. Rigby further advised that Able Engineering would own the facility and would be responsible for the construction. He stated that the airport will enter into a 40-year lease with the City and will assist Able Engineering in seeking the Military Reuse Zone designation. (See Page 13 of Attachment 3) He added that Able Engineering will also be seeking a Foreign Trade Zone designation.

Mr. Rigby explained that the lease that Able will pay to the City will be equal to the amount of the bond and will be used to make the bond payment. He advised that after 25 years the City would have the opportunity to recapture the benefit of the project as the bonds would be retired and the additional lease revenue would then go to the City. He noted that currently the City invests \$1.7 million into the airport.

Mr. Rigby said that the City will enter into a 25-year sublease with Able Engineering with an option for three additional 5-year extensions. He explained that the City will assist Able in seeking job training or workforce development grants and provide project management oversight of the construction. (See Page 14 of Attachment 3)

Mr. Rigby advised that once Able Engineering signs the lease they will be committed to the project and will be responsible for the lease payments. He stated that Able would be legally responsible to pay the outstanding balance of the lease should the lease be broken. He said if Able Engineering is unable to fulfill their terms of the lease and the City or airport is unsuccessful in re-leasing the facility, the City and airport have agreed that the required bond debt amount would be withheld from the annual Phoenix-Mesa Gateway Airport Contribution of \$1.7 million.

Mr. Rigby stated that staff is recommending approval of a 40-year lease with the airport and the sublease with Able Engineering. He noted that there have been conversations regarding Able Engineering out-growing the new facility, therefore, the lease has been structured so that if Able chooses to finance their own expansion they would receive a benefit on the extensions. He said there is an incentive for Able to expand which would mean additional jobs and a fixed asset at the airport.

Mr. Rigby said that there are a number of documents tied to the issuance of the bonds and the legal structure between the Airport and City such as: the Trust Agreement between the Phoenix-Mesa Gateway Airport Authority and U.S. Bank National Association (sets forth the terms of the Series 2012 Bonds), Continuing Disclosure Certificates, Letter of Representation, Official Statement and Amended and Restated Joint Powers Agreement.

Mr. Rigby said that members of the Joint Powers Authority include the Towns of Gilbert and Queen Creek, along with the City of Phoenix and the Gila River Indian Community. He said that the Amended and Restated Joint Powers Agreement states that the City's \$22 million investment will be included as credit for the City's investment into the airport. He added that the City wants to ensure that it's investment is captured in the Joint Powers Agreement.

Mr. Rigby advised that this item would be presented to the Phoenix-Mesa Gateway Airport Authority on Monday morning and will be before the City Council Monday evening for approval.

Vice Mayor Somers expressed his appreciation for staff's efforts and said that this is an outstanding way to help businesses thrive. He remarked that Able Engineering, which conducts both foreign and domestic business, is extremely competitive and is providing great jobs with benefits. He said the City is not able to give away incentives however, we can stand behind Able Engineering and help finance an opportunity for them to grow their company and take advantage of the Foreign Trade Zone. He added that he looked forward to voting on this item at the meeting.

Vice Mayor Somers thanked staff and those involved in the partnership for their efforts.

2-d. Hear a presentation and discuss the Southwest Mesa Economic Infrastructure update.

Mr. Brady advised that the presentation would provide an overview of the City's investments with regards to some of the projects underway in southeast Mesa. He introduced City Engineer Beth Huning and Economic Development Project Manager Scot Rigby who would provide an update on the infrastructure and development in southeast Mesa.

Mr. Rigby said that the City's efforts over the last five years have helped to make opportunities like the Able Engineering project possible. He displayed a PowerPoint presentation (**See Attachment 4**) highlighting the Healthcare, Education, Aerospace and Tourism (H.E.A.T) initiative.

Mr. Rigby displayed an aerial photograph (See Pages 4 & 5 of Attachment 4) that depicted the location of the educational facilities located in the southeast portion of the City. He said these educational investments include:

- East Valley Institute of Technology (EVIT)
- Arizona State University (ASU) Polytechnic
- Chandler-Gilbert Community College

Mr. Rigby reported that ASU has invested \$147 million over the last few years and is currently building a recreation center and dormitories. (See Page 6 of Attachment 4) He said that EVIT recently opened Phase One and that additional phases will be opening in the future. (See Page 7 of Attachment 4) He noted that the Aerospace Maintenance Program offered at Chandler-Gilbert Community College was one of the reasons that Able Engineering decided to locate in the Phoenix-Mesa Gateway area.

Mr. Rigby displayed an aerial photograph of the Phoenix-Mesa Gateway Airport (See Page 9 of Attachment 4) and briefly highlighted the following aerospace components located in the area:

- Able Engineering
- The terminal and 35,000 sq. ft. expansion
- Cessna
- Hawker
- Future east side terminal

Mr. Rigby advised that Spring Training, which is the high season for the airport, will begin in March. He reported that in March of last year there were 365 flights out of the airport and this year 570 flights have been scheduled which is a 56% increase.

Mr. Brady remarked that the Oakland A's are thrilled that Allegiant Airlines has implemented flights to Oakland.

Mr. Rigby briefly highlighted some key factors related to the future of the airport which included:

- East side terminal (cost \$300 million)
- Tourism (Gaylord Entertainment)
- Technology (First Solar building, cost \$1.2 billion)

Mr. Brady stated that it will be important that the infrastructure keep up with the growth and development in the Phoenix-Mesa Gateway area. He advised that the growth will need to be forecast in the Capital Improvement Program. He added that the City is only a few years away from being "built out."

Mr. Rigby stated that one of the reasons that First Solar chose to locate in the Phoenix-Mesa Gateway area was the City's ability to provide the necessary utilities. He displayed a list of the private investments that have followed the City's infrastructure investment. (See Page 16 of Attachment 4)

Ms. Huning displayed an aerial map of the Gateway area (See Page 18 of Attachment 4) and remarked that southeast Mesa consists of the same land mass as Paris, France, and therefore, requires a lot of infrastructure. She briefly outlined some of the infrastructure projects for south east Mesa as follows:

- Ray Road utilities/street – will connect Ellsworth Road to the airport (\$9.5 million)
- Fire Station 215 – multi-facility (\$7.1 million)
- ASU Innovation Way – under construction (\$16.7 million)
- Power Knowledge Corridor – under construction (\$30 million)
- Sossoman Road Water Line – north of freeway to supply reliable water source
- Fire Station 219 – under construction (\$4.7 million)
- Signal Butte/Elliott improvements – 1<sup>st</sup> phase (\$9.7 million ) 2<sup>nd</sup> phase (\$5.4 million)
- First Solar sewer line – underway and will serve the First Solar site
- 24 freeway – construction to begin in April (utilities in advance of freeway) - City costs \$925,000, non-City costs \$80 million
- Central Arizona Project (CAP)Turnout - provide water to southeast area (\$2.3 million)
- Future sulfide station

Ms. Huning advised that staff has been able to secure funding to cover the improvements on the north side of Signal Butte Road and Elliot Road. She also advised that staff will be seeking additional funds for the CAP turnout project, which she said is a difficult project on a major canal. (See Pages 30 and 31 of Attachment 4) Ms. Huning added that the future sulfide lift station will be decommissioned now that a more robust system is in place.

Vice Mayor Somers commented that he has received calls and emails from citizens expressing their appreciation for the work that has been done to redirect the stormwater off of Signal Butte and Elliott Roads.

Ms. Huning stated that the infrastructure has the potential of bringing in non-City investments that could range from \$945,000 up to \$1.845 billion. She said that the City investments to the infrastructure total \$71.5 million and have the potential of reaching \$87.8 million. She noted that the non-city investments from the infrastructure are much more than the City investments. (See Page 33 of Attachment 4)

In response to a question from Vice Mayor Somers, Mr. Brady explained that most of the projects related to First Solar were included in the Capital Improvement Program. He advised that the City is able to manage the financing for projects that have been forecasted. He added that staff will be back before the Council to discuss the Capital Improvement Program and develop a five-year plan. Mr. Brady said the fact that the City has its own water and waste water facilities as well as good streets is a plus when competing for businesses. He remarked that getting the infrastructure in fast is a key element.

Mr. Rigby said that there will be additional private partnerships coming in and it is anticipated that staff will be back before the Council in February.

Mr. Brady said that even though this presentation focused on southeast Mesa the same formula is being used throughout the City.

Vice Mayor Somers thanked staff for the presentation.



8. Adjournment.

Without objection, the Study Session adjourned at 9:16 a.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 19<sup>th</sup> day of January 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

bdw  
(attachments – 4)

# Series 2012 G.O., Utility and HURF Refunding Bond Sales

January 19, 2012



# Series 2012 Tax Exempt Refunding Bond Sales

- General Obligation (G.O.) Refunding Bonds, not to exceed \$40,000,000
- Utility Systems Revenue Refunding Bonds, not to exceed \$50,000,000
- Street & Highway User Revenue (HURF) Refunding Bonds, not to exceed \$55,000,000

# Series 2012 Tax Exempt Refunding Bond Sales

**Bond Series Considered for Refunding:**

G.O. Bonds – Refunding Series 2002, Series 2003,  
2005 & 2006

Utility Systems Revenue Bonds – Refunding Series  
2002 & 2002A, Series 2003, 2005 & 2006

HURF Bonds – Refunding Series 2002, Series 2003 &  
2005

# Series 2012 Tax Exempt Refunding Bond Sales

Potential Savings, as of January 4<sup>th</sup>:

	Utility Systems		Street and Highway	
	General Obligation Refunding Bonds	Revenue Tax Exempt Refunding Bonds	Estimated Savings	User Revenue Refunding Bonds
<b>Total Savings</b>	\$ 1,576,574	\$ 2,425,880	\$ 2,307,933	
<b>Net Present Value Savings</b>	\$ 1,570,672	\$ 2,416,213	\$ 2,297,269	
<b>Net Present Value Savings Percentage</b>	5.31%	7.16%	5.96%	

# Series 2012 Tax Exempt Refunding Bond Sales

Each of the tax exempt refunding issuances are structured to:

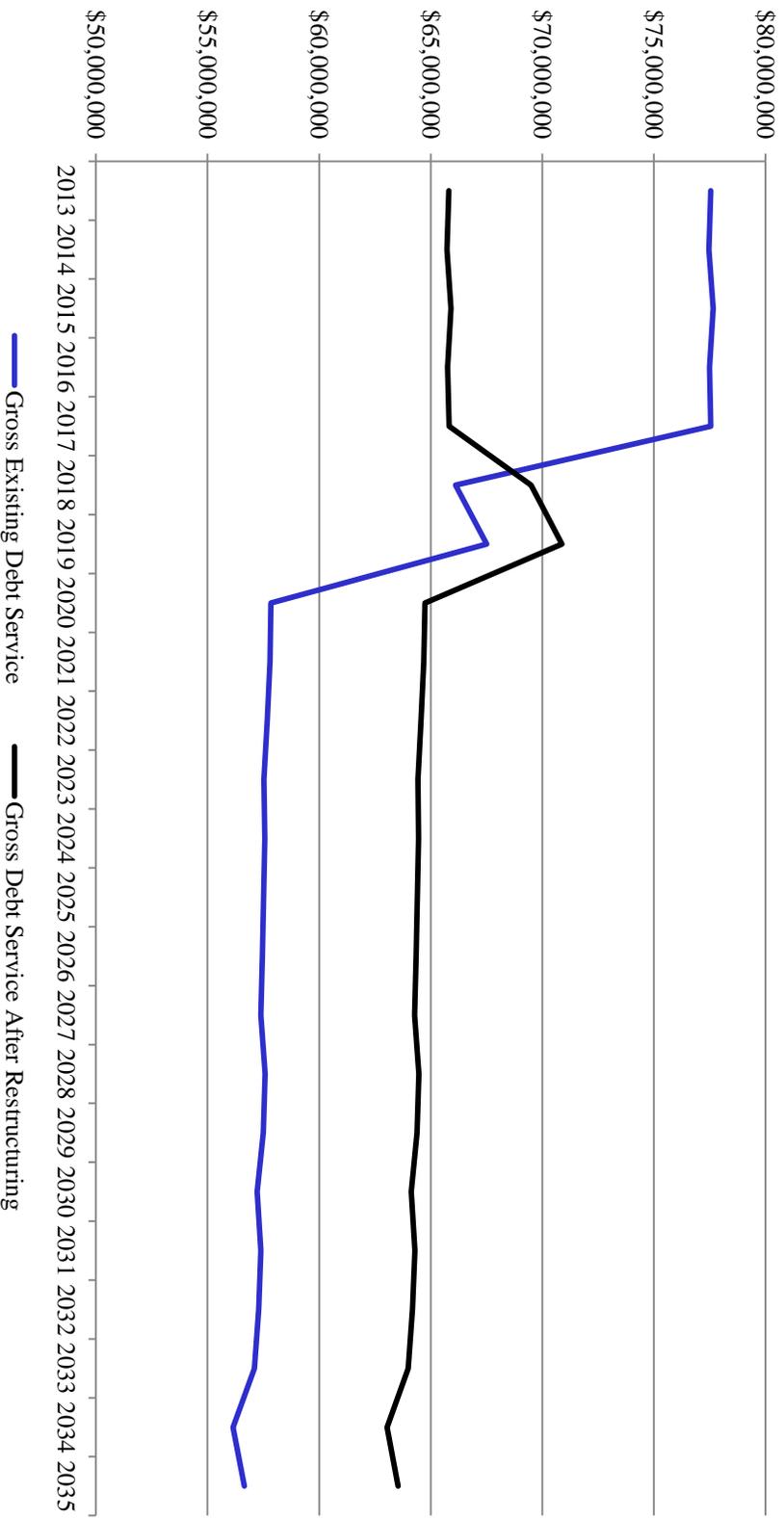
- Incur most of the savings in fiscal year 2011-12
- Retain the scheduled completion of the existing debt service payments.

# Series 2012 Taxable Utility Systems Refunding Bond Sale

- Utility Systems Revenue Refunding Bonds, not to exceed \$100,000,000
- Utility Systems Revenue Refunding Bonds Series 2002 & 2002A considered for refunding

# Series 2012 Taxable Utility Systems Refunding Bond Sale

Comparison of Existing and Potentially Restructured Utility Systems Revenue Bonds Debt Service



# Series 2012 Taxable Utility Systems Refunding Bond Sale

Based on January 4, 2012 estimates:

- The restructured debt threshold for fiscal years 2012-13 through 2016-17 would be approximately \$65.9M
- Peak threshold of \$70.9M occurs in 2018-19

## Series 2012 Taxable Utility Systems Refunding Bond Sale

Without allowance for any new debt issuances, the difference in thresholds for the first five fiscal years could generate approximately \$56.7M in cash flow.

Recent rate discussions have primarily considered the cost of the existing and new issuances of debt service.

## Series 2012 Taxable Utility Systems Refunding Bond Sale

- Currently approved utility rates have been structured to accommodate an existing fiscal year debt requirement of approximately \$77.5M.
- Opportunities to restructure this debt have been restricted by the call features agreed to in each bond issuance.

# Series 2012 Taxable Utility Systems Refunding Bond Sale

- The difference interest rates between the City's existing debt and current market taxable issuances have narrowed.
- This allows for the consideration of the issuance of taxable bonds.

# Series 2012 Taxable Utility Systems Refunding Bond Sale

- Taxable proceeds would be used to refund the tax exempt 2002 issuances.
- The refunding would replace the current call features, allowing for a significant restructuring of the current debt service threshold.

# Series 2012 Taxable Utility Systems Refunding Bond Sale

The potential cost of the refunding is approximately \$9.2M.

The refunding cost may potentially be recaptured through future tax exempt refunding, to be evaluated on an annual basis.

# Series 2012 Taxable Utility Systems Refunding Bond Sale

Other factors to consider:

- The reduced debt threshold would allow for the reconsideration of recently modeled future rate increases.
- Improve revenue to debt service coverage requirements.
- Reduce fund balance reserve requirements.
- Allow for the consideration of additional cash funded projects.

# Series 2012 Refunding Bond Sales Schedule

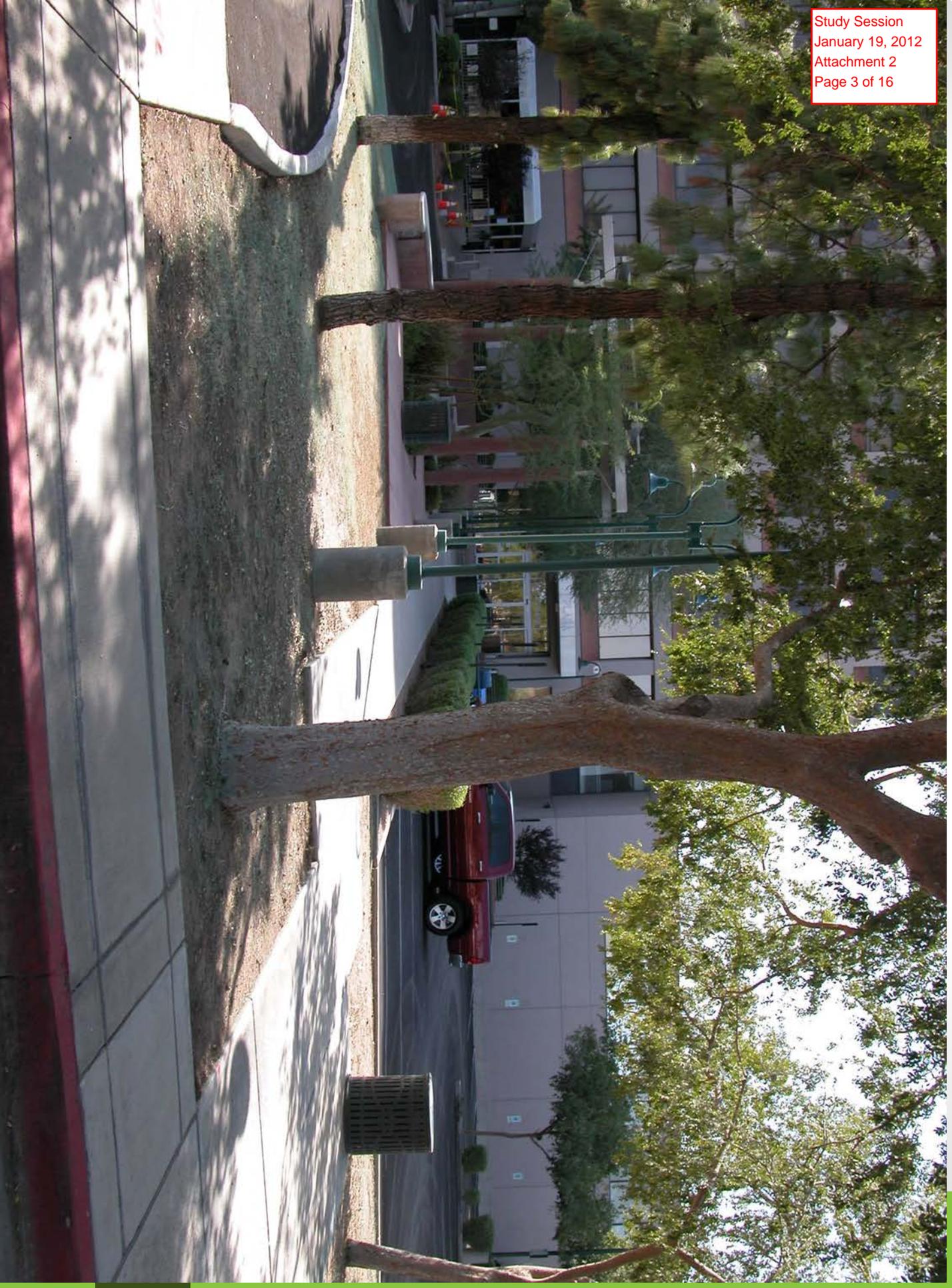
- Week of Jan. 23<sup>rd</sup> – Receive Authorization to Sell Bonds, Receive Underwriting Proposals, Select Underwriters for Each Refunding Issue
- Weeks of Feb. 27<sup>th</sup> & Mar. 5<sup>th</sup> – Go to Market and **Price Tax Exempt** Refunding Issues
- Week of Mar. 19<sup>th</sup> – Go to Market and **Price Taxable** Utility Systems Revenue Refunding Issue
- Week of Apr. 2<sup>nd</sup> – Close **Tax Exempt** Refunding Issues
- Week of Apr. 23<sup>rd</sup> – Close **Taxable** Refunding Issue

# City Plaza Landscape Transformation



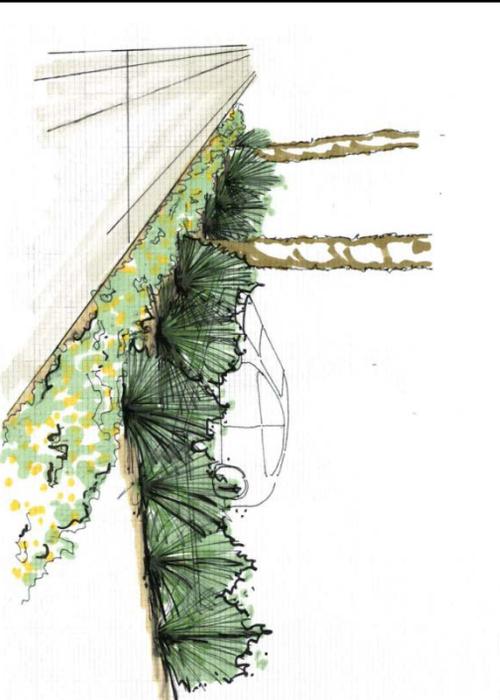
# Opportunity







# Charette











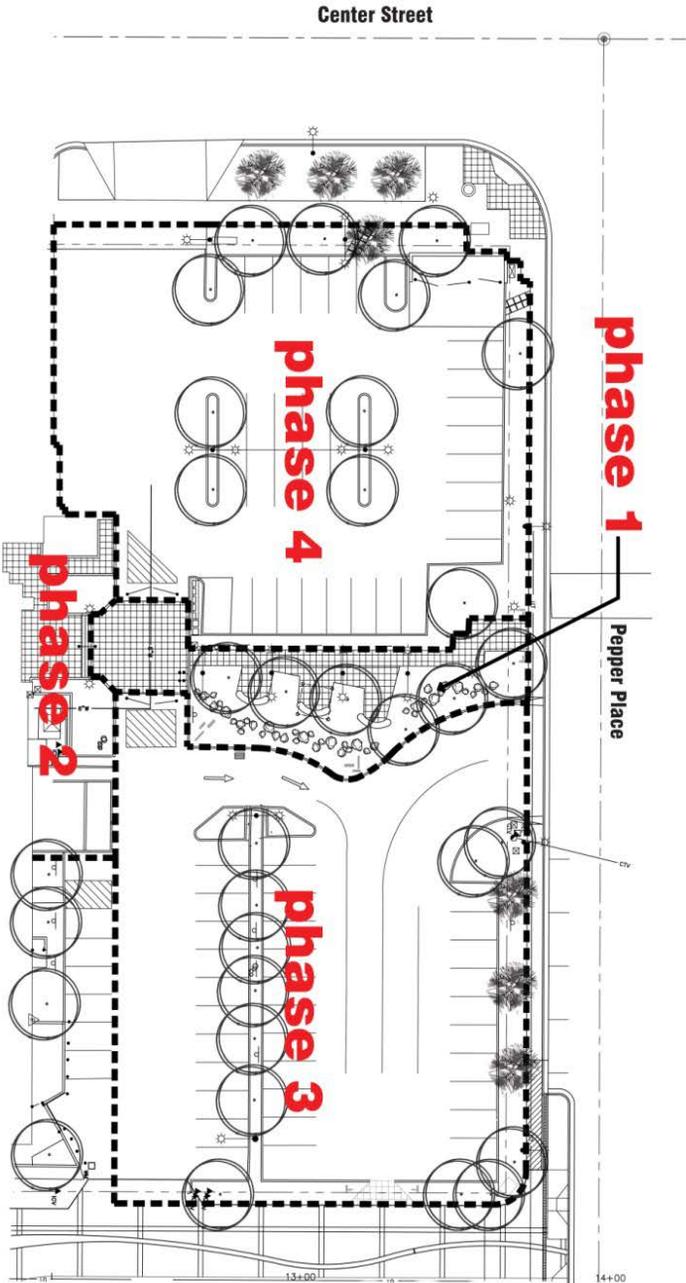








# Phasing



Mesa City Plaza

Phasing Exhibit



December 8, 2011



# Inspiration and Commitment

- ◆ Jeff Engelmann, J2 Design
- ◆ Trevor Barger, Espiritu Loci
- ◆ Marc Beyer, The Design Element
- ◆ Jeff Anderson, The Design Element
- ◆ Christopher Jones, Suite Design Group
- ◆ Steven Vollmer, Vollmer & Associates
- ◆ Brett Anderson, Anderson Baron
- ◆ Andrew Baron, Anderson Baron
- ◆ Roger Socha, Ten Eyck Landscape Architects
- ◆ Wendy LeSueur, LeSueur Design

# Questions??

# Council Presentation

## January 19, 2012

**Phoenix-Mesa Gateway Airport  
Maintenance, Repair and Overhaul  
(MRO) Facility & Able Engineering**





- Phoenix-Mesa Gateway Airport and City have worked closely to develop new infrastructure and business development
- Infrastructure successes include Sossaman and Velocity Roads, water/wastewater/fire suppression systems, and recently opened fire & police station
- Business attraction successes include Cessna, Hawker Beechcraft, Embraer, L3, Lockheed, Allegiant and others
- Airport and City have identified key aerospace industries that have a strategic benefit to locating to Gateway



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- Largest facility and employer on the airport is Cessna with just over 100,000 square feet and 100 employees
- Airport has struggled to locate larger companies due to lack of large, existing facilities and or inability to finance airport facilities
- These larger companies typically require existing facilities, at very competitive pricing, due to intense recruitment domestically and internationally



- Airport and City agreed to design, bid, construct and lease a large airport maintenance, repair and overhaul (MRO) facility
- The purpose of the project is to:
  - Enable the Airport to attract a large MRO center that will help attract commercial, cargo, freight and defense industries and operations to Gateway
  - Enable the Airport to gain experience and creditability in the bonds markets



## **Airport MRO Project Structure**

1. Airport has designed, bid and will build facility (180K sq.ft.) for a cost not to exceed \$22M
2. The City commits to make lease payments equal to the bond obligations for 25 years.
3. City will sublease to a tenant or tenants for a lease amount equal to the annual bond debt and premise rent (Able Engineering)



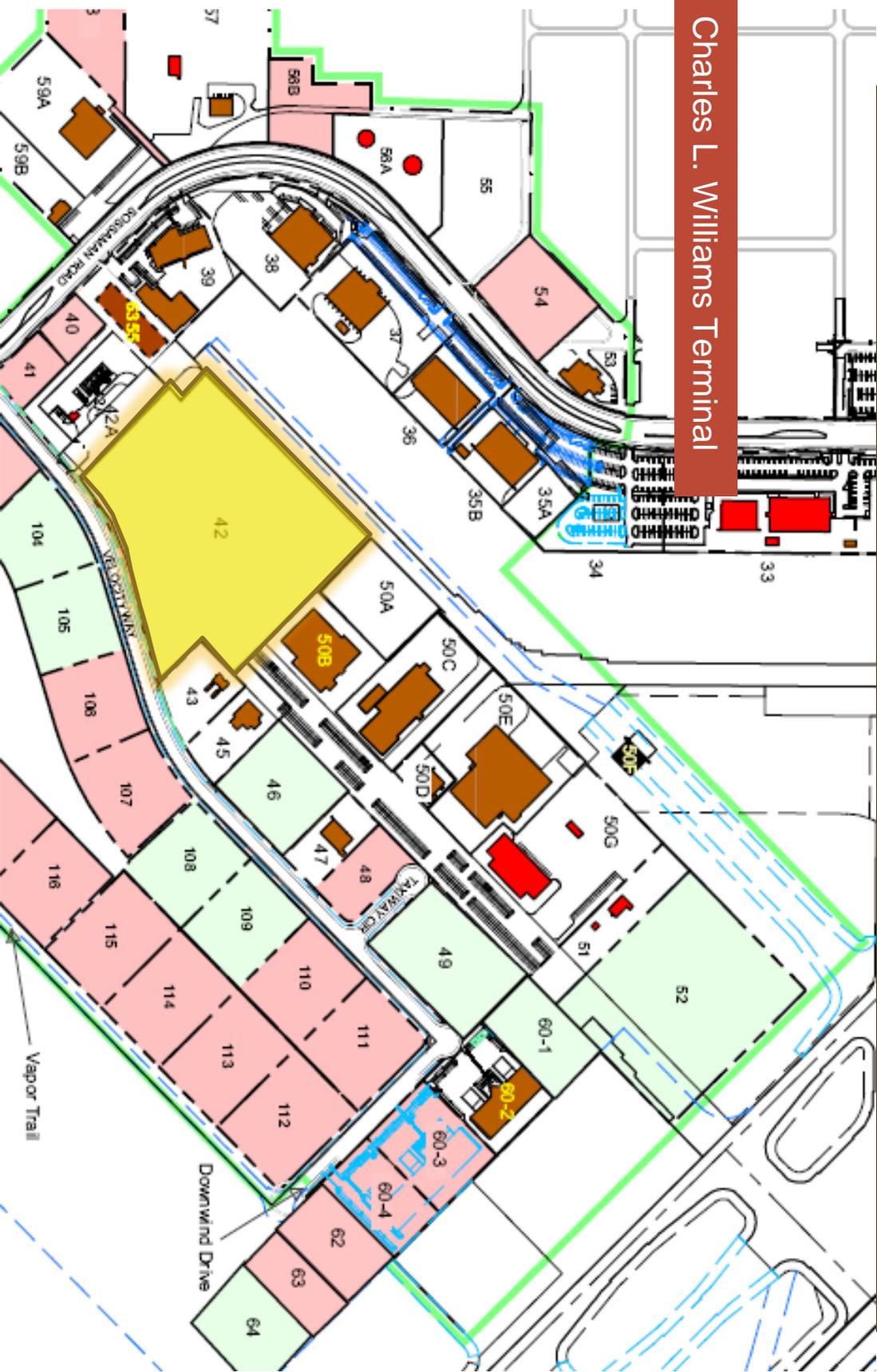
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## **Project Structure-cont.**

4. Tenant (Able Engineering) has provided to the airport, at their sole cost, all project design and engineering documents, in order to enable the airport to solicit public bids
5. Airport Opened bids January 4, 2012
  - 11 bids received
  - Low Bidder: DL Withers
6. Target Opening Date: Early 2013

**Project Location: South Ramp**

**Charles L. Williams Terminal**





## Airport MRO Building

**186,000 sq. ft.-will be largest airport facility**





## *Able Engineering: Last 10 Years of Able Engineering Growth*



- 2002: 80 Employees / \$8M Annual Sales

2012: 320 Employees / \$52 M Annual Sales

**550% Growth!**





## Future Positioning

- Located on an Airport
- Work on Entire Helicopters within 2-3 years
- Line Maintenance on Business Jets
- West Coast Maintenance Center for Major Helicopter Manufactures
  - Already working with AugustaWestland to this end
- Avionics within 2-3 years
- Able Electronics Incorporated in 2010





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## **A few Major Customers (over 3,500 total)**

- Fixed-Wing: United Airlines, US Airways, Southwest Airlines, FedEx, UPS, Atlas, Delta, American Airlines, Continental Airlines, Northwest Airlines, Singapore Airlines, Virgin Atlantic, Korean Airlines, Malaysia Airlines
- Rotor-Wing: PHL, Air Methods, Bristo, MedTrans, AirEvac, Leader Aviation, Worldwide Eurocopter Network, Agusta, Helicopter Support International, Erickson Air Crane, Evergreen Helicopters, Heli-One, Army Fleet Support, US Coast Guard, US Navy, US Army, MD





## mesa·az **Able Engineering Commitments**

1. Pay the costs of the design and engineering of the Project
2. Invest not less than six million dollars (\$6,000,000) in equipment to be located on the Project Site
3. Locate two hundred fifty (250) jobs at the Project within twelve (12) months of occupancy of the Project **(320)**
4. Cease negotiations with any other party for the location of an Able operated MRO facility



## Airport Will

- Issue Tax Exempt Airport Bonds not to exceed \$22 million
- Apply for Military Reuse Zone, exempts facility from State and County construction TPT (sales tax)
- Responsible for the construction of facility
- Enter into 40 year facility lease with City
- Assist and support Able's application for Military Reuse Zone designation (reclass/employee tax credits)



## City Will

- Enter into 40 year facility lease with the Airport
- Enter into 25 year facility sublease with Able Engineering
- Assist Able in seeking job training or workforce development grants
- Assist Airport in providing construction project management oversight



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## City Protections

1. Able sublease with the City is equal to the term of the base and premise rent to or greater than the annual bond debt
2. In the event Able breaks the lease, Able will be legally responsible to pay the outstanding balance of the lease



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## City Protections

3. In the event Able is unable to fulfill their terms of the lease, and the City or airport is unsuccessful in re-leasing the facility for any substantial period of time, the City and Airport have agreed that the City will withhold the required bond debt amount from the City's annual Phoenix-Mesa Gateway Airport contribution (Joint Powers Agreements). The annual allocation to the Airport is currently \$1.7 million.



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## City Protections

4. No additional City funding is required for project. This Airport CIP project utilizes and prioritizes existing and future City of Mesa member contributions to the airport.



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## Staff Is Requesting

- Approval of Airport Lease (40 years)
- Sublease with Able Engineering (25 years with 3, five (5) year extensions)

Several additional documents tied to the issuance of bonds and legal structure between the Airport and the City are necessary in order to enable this project to proceed. They include,



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## Staff Requesting

- Trust Agreement between the Phoenix-Mesa Gateway Airport Authority and U.S. Bank National Association, as trustee – The Trust Agreement sets forth the terms of the Series 2012 Bonds. The City will approve certain provisions of the Trust Agreement pertaining to the City's role and responsibilities.



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## Staff Requesting

- Continuing Disclosure Certificate – this undertaking requires the City to annually provide certain financial information to the secondary bond market.
- Letter of Representation – this agreement is required as part of the sale of the Series 2012 Bonds to the underwriters.
- Official Statement – the Official Statement is the legally required offering document through which the Series 2012 Bonds are offered for sale.



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## Staff Requesting

- Amended and Restated Joint Powers Agreement – The City and the Authority will enter into this agreement to establish how payments made by the City pursuant to the Lease shall be applied under the terms of the Amended and Restated Joint Powers Airport Authority Agreement entered into as of May 22, 2006 by and among the City, the Town of Gilbert, the Town of Queen Creek, the City of Phoenix, and the Gila River Indian Community, as the members of the Authority



# Discussion/Questions



# Southwest Mesa

## Development & Infrastructure

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# A Vision For The Future

- H.E.A.T.
- High-Wage/High-Value Jobs
- Aerotropolis

H.  
E.  
A.  
T.



# Education





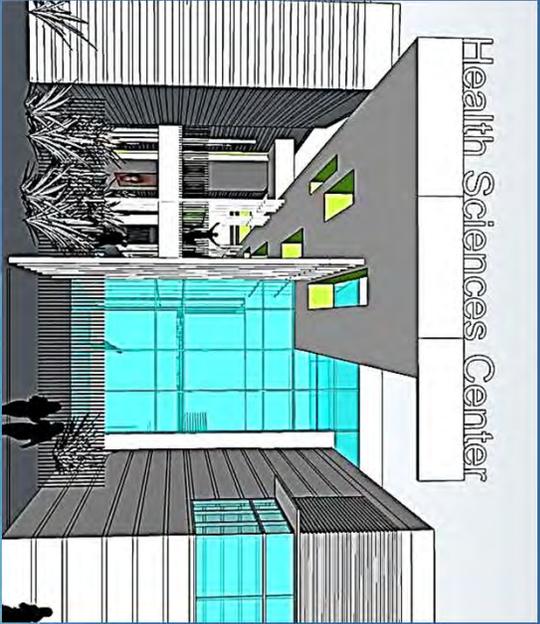
# Education Investment



ASU Polytechnic Campus

**\$147 Million**





**\$10 Million**

East Valley Institute of  
Technology



# \$23 Million



# Aerospace



# Phoenix-Mesa Gateway

...the fastest growing small  
commercial hub in the U.S.





\$20 Million Building/Lease  
\$5-6 Million Equipment



\$14 Million



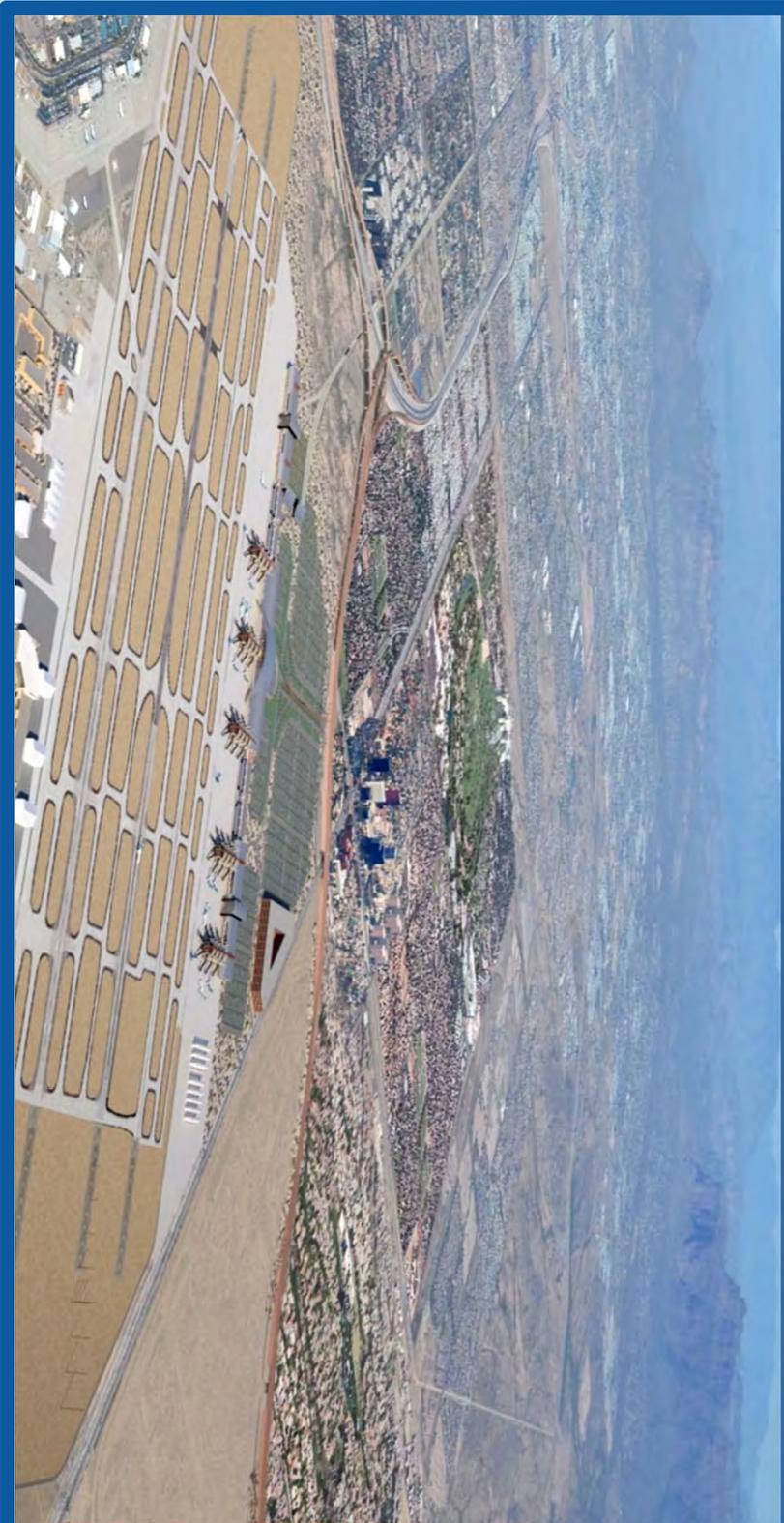
\$20 Million

# Aerospace Investment

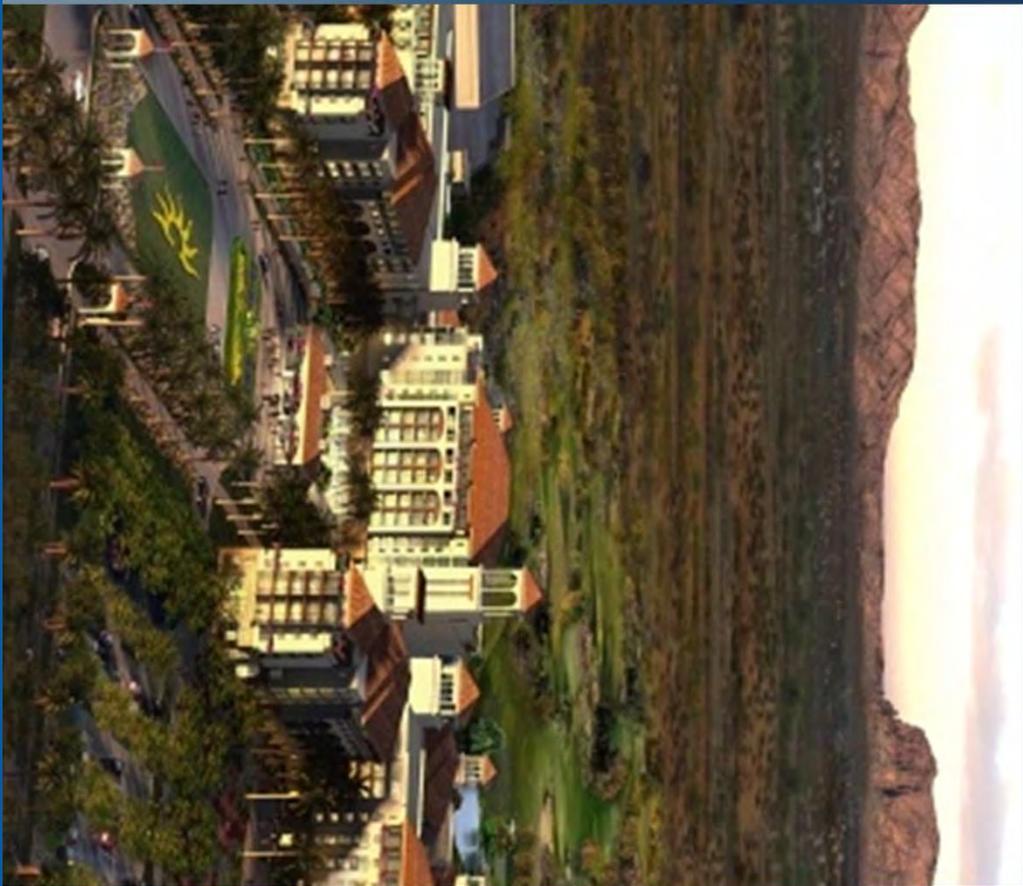


# The Future...

**East Side Terminal \$300 Million**

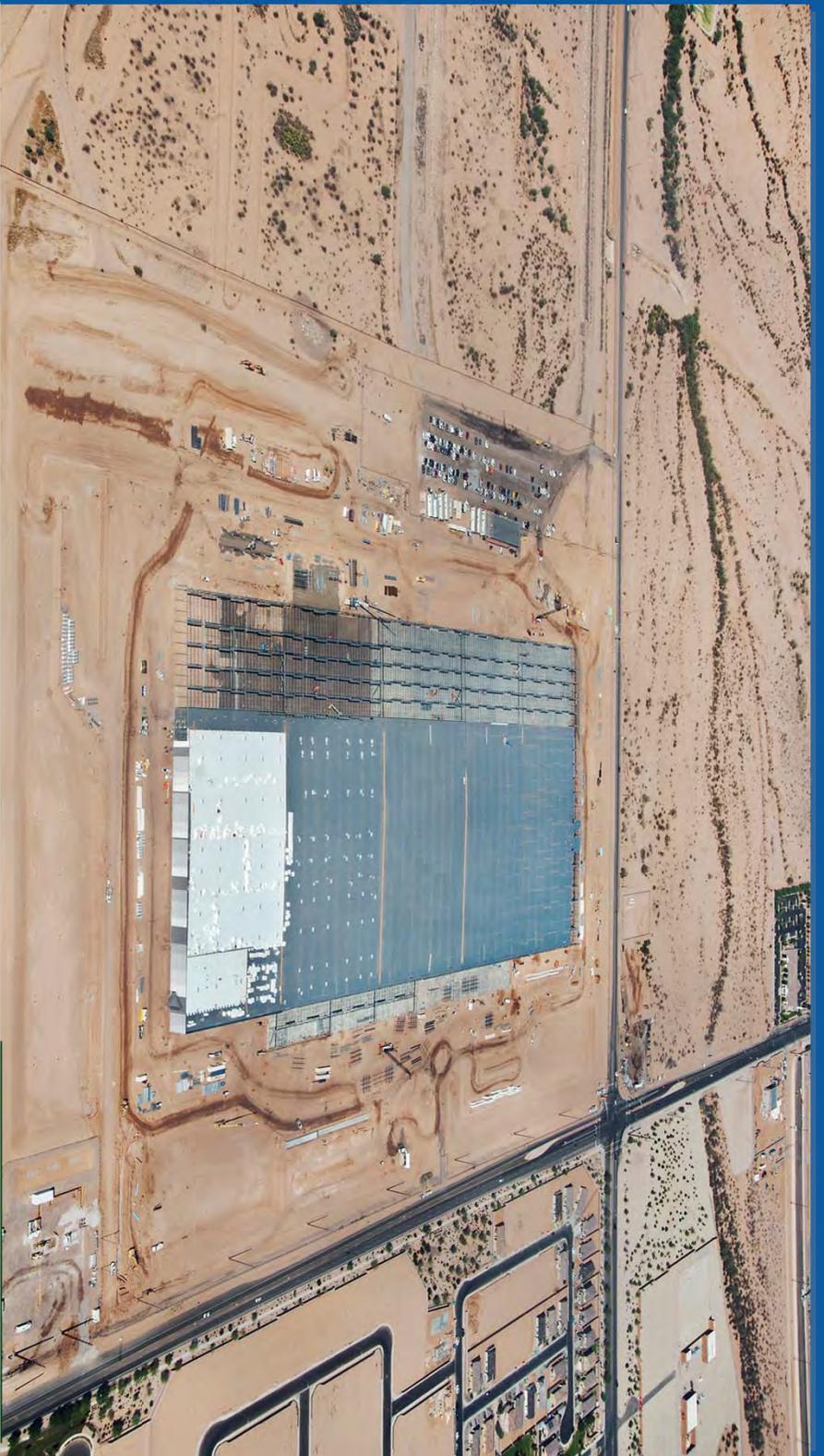


# Tourism



# Technology Industry





**Total Project Cost \$300 Million to \$1.2 Billion**

# Non-City Investment

<b>Education</b>	<b>\$180 Million</b>
<b>Aerospace</b>	<b>\$365 Million - \$372 Million</b>
<b>Technology</b>	<b>\$300 Million - \$1.2 Billion</b>
<b>Misc. Projects*</b>	<b>\$100 Million</b>
<b>Total:</b>	<b>\$948 Million – \$1.845 Billion</b>

\*24 Freeway, Power Road

# City Infrastructure Investment

# Infrastructure

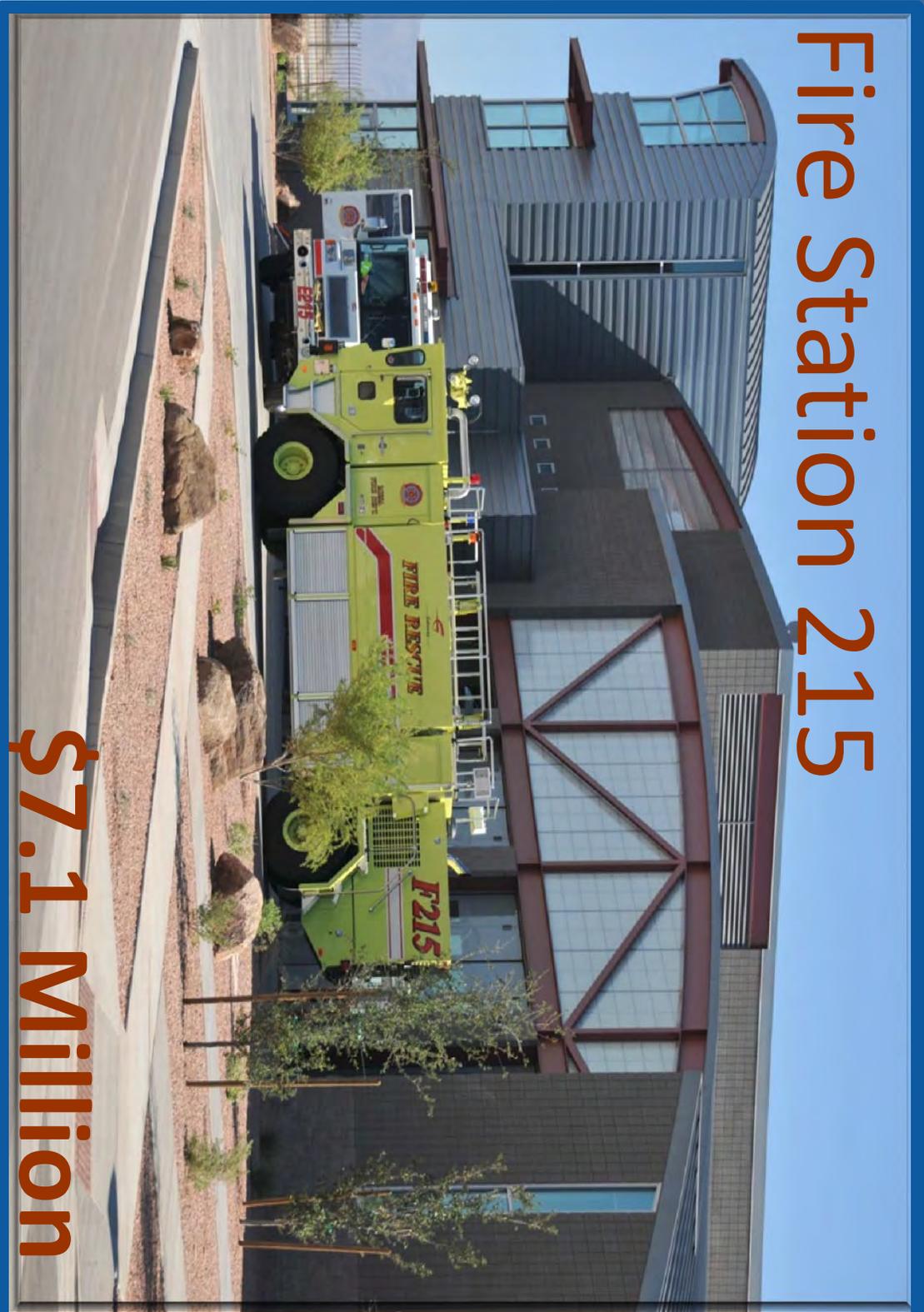


# Ray Road



**\$9.5 Million**

# Fire Station 215



**\$7.1 Million**





\$20 Million Building/Lease  
\$5-6 Million Equipment



\$14 Million

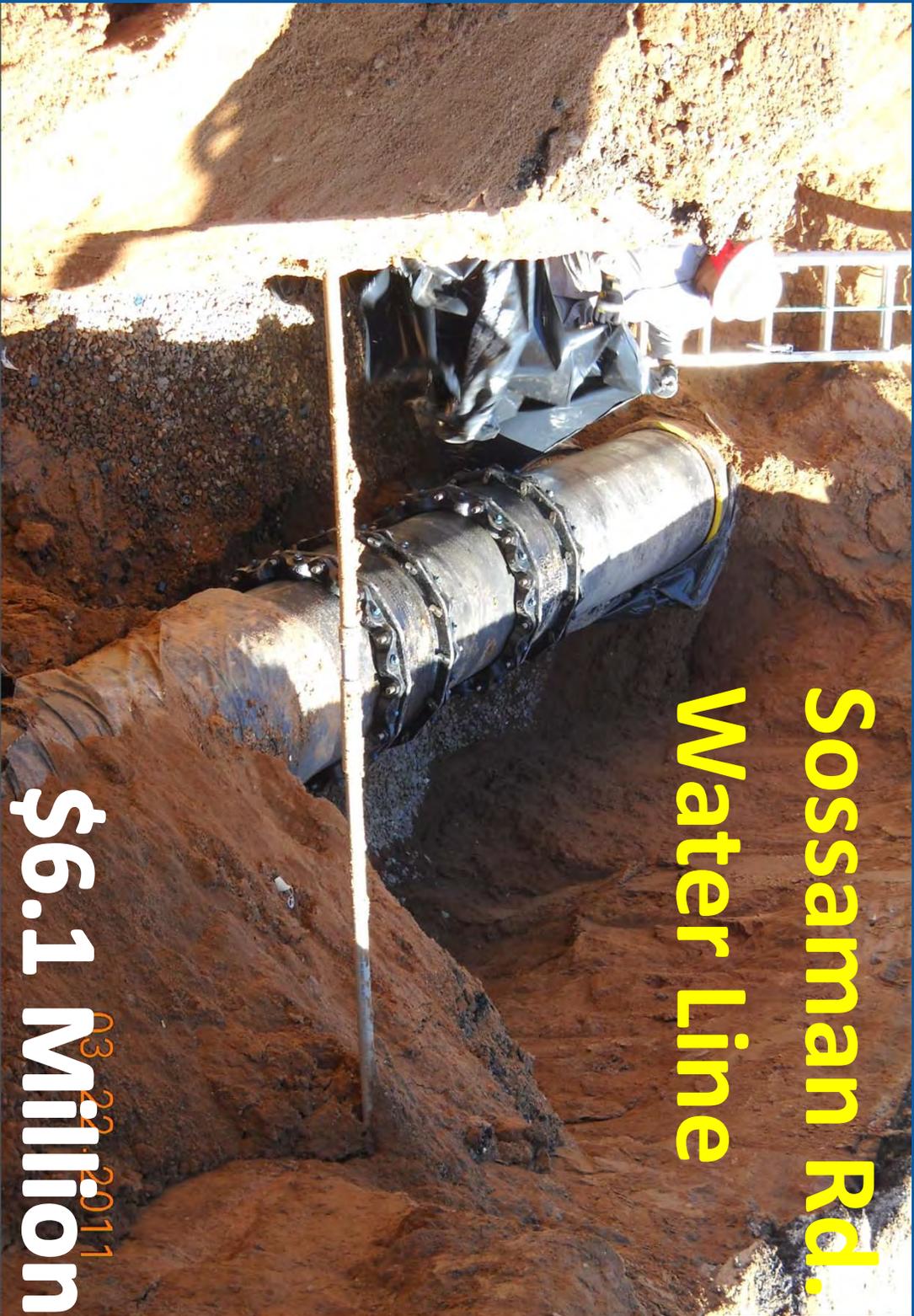
# Aerospace Investment



\$20 Million







# Sossaman Rd. Water Line

<sup>03.22.2011</sup>  
**\$6.1 Million**

# Fire Station 219

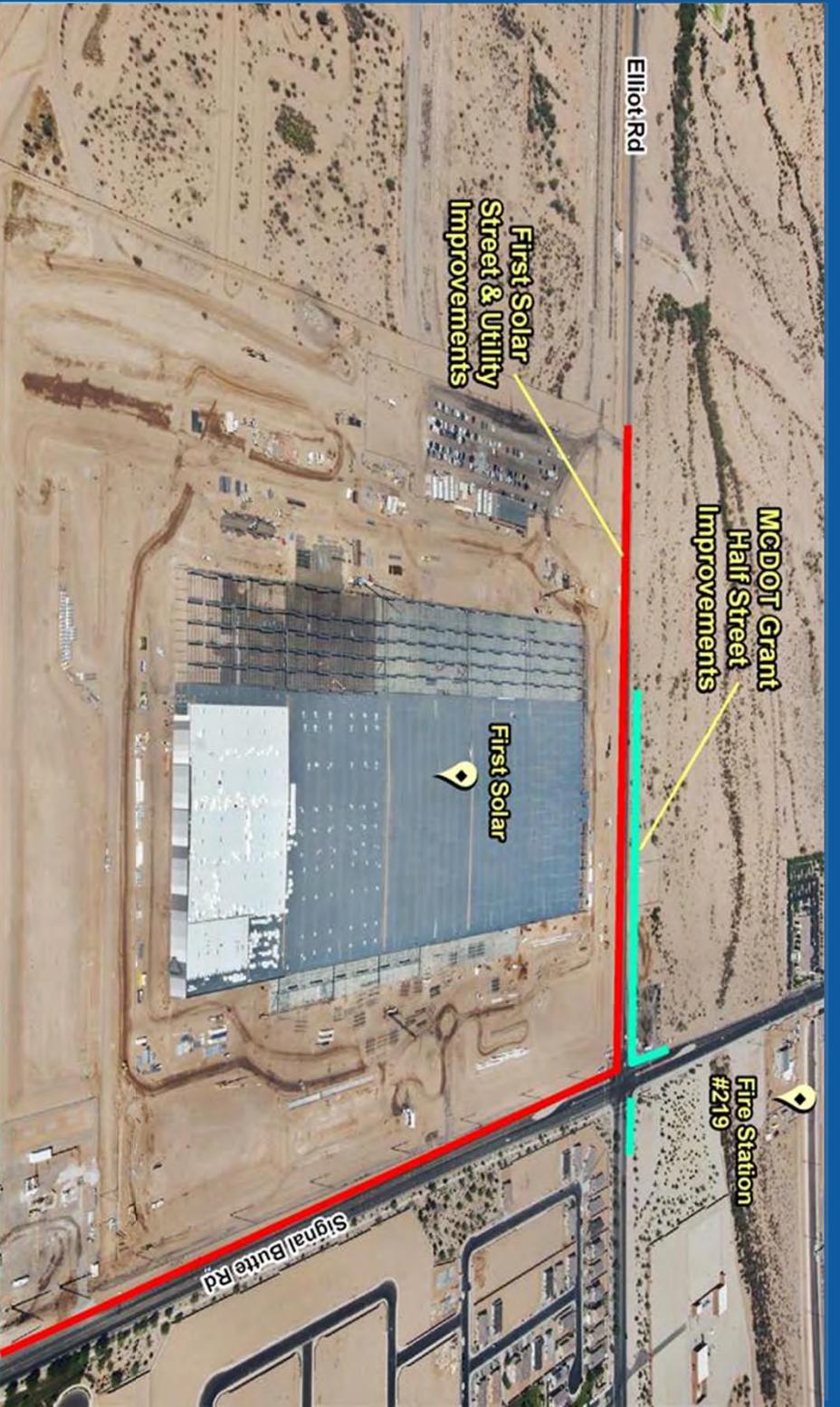


**Total Project Cost \$4.7 Million**

# Signal Butte/Elliott Improvements



**Total Project Cost \$2.9 Million**



**1<sup>st</sup> Phase - \$9.7 Million**  
**2<sup>nd</sup> Phase - \$5.4 Million**



# First Solar Sewer

# 24 Freeway



SR 24  
GATEWAY FREEWAY  
SR202L TO ELLSWORTH ROAD



**Approximate  
Non - City  
Project Cost  
\$80 Million**

**Approximate  
City Project  
Cost = \$0.925  
Million  
(Utilities in  
advance of  
freeway)**

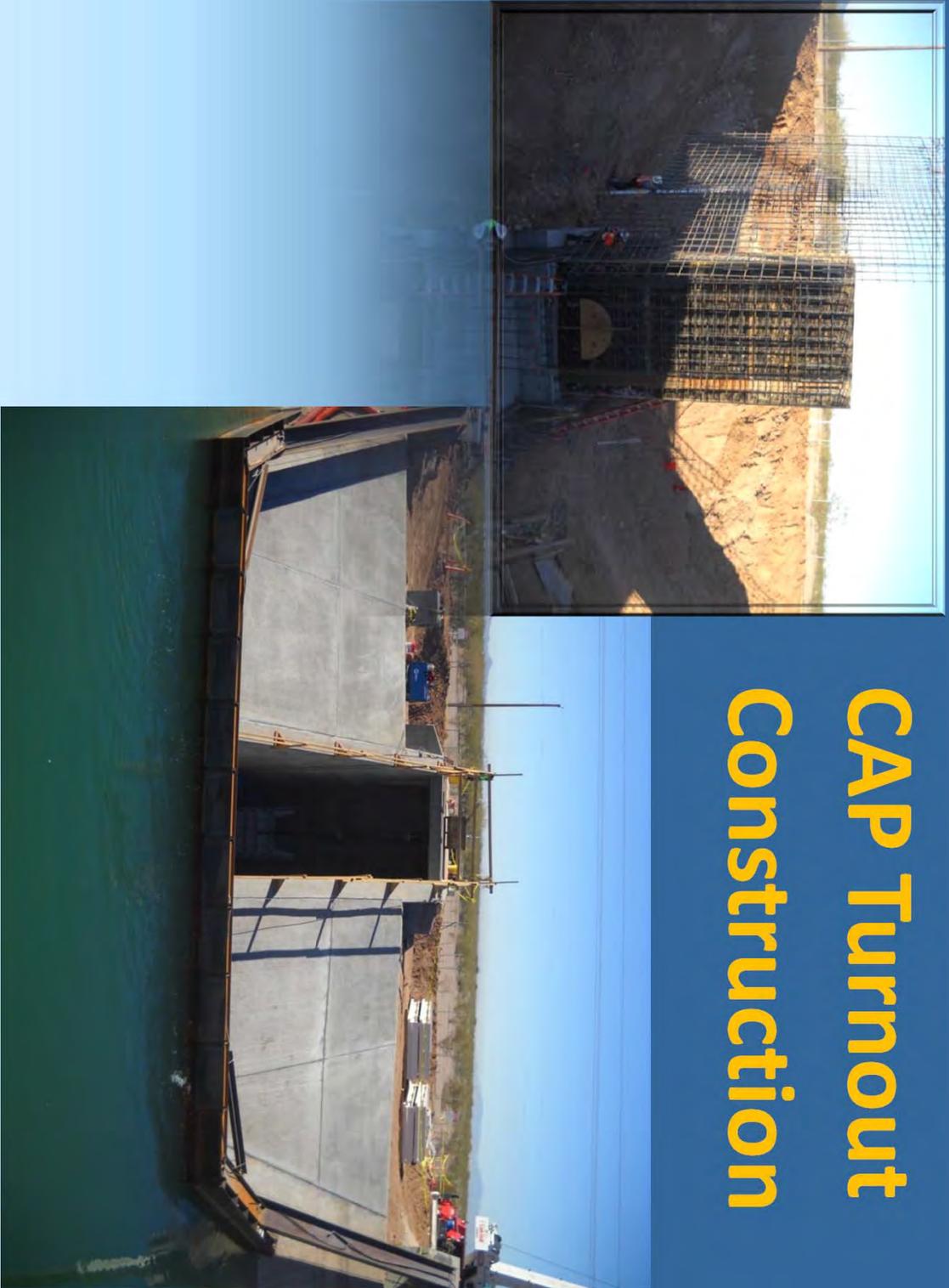
# Central Arizona Project Turnout \$ 2.3 Million Total Project Cost



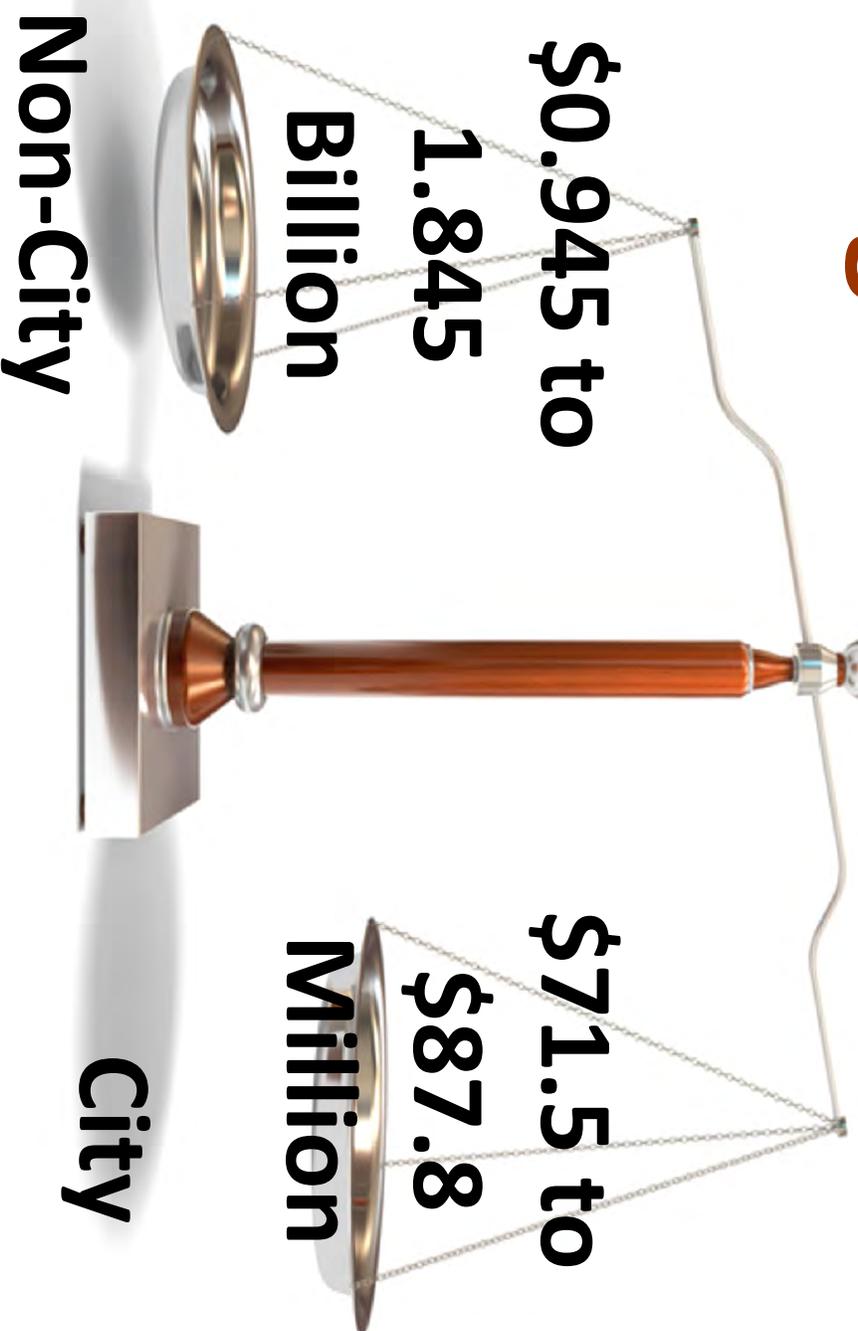


**Total Project Cost \$1.2 Million**

# CAP Turnout Construction



# Leveraged Investment..



# Questions?