



# 2018 Bond Sales and Defeasance

April 12, 2018

# Anticipated 2018 New Money Bond Issuances

## Estimated Timeline

April 16 – Council considers authorization of issuances

April 18 – Staff conducts rating agency calls

May 15 – New money bonds are priced

June 4 – City closes on new money bonds

# New Bond Issuance Overview

- Mesa voters authorize bonds to finance capital infrastructure
- The City's Capital Improvement Program (CIP) is funded primarily with bonds
- The need to sell (issue) additional bonds is evaluated on an annual basis
- Amounts issued are sufficient to reimburse calendar year-to-date spending and fund the projected need for the remainder of the year
- The structure of new bonds is incorporated into existing debt to maintain consistent debt service and smooth utility rate adjustments

# Anticipated 2018 New Money Bond Issues

New Money General Obligation Bond Issuance (\$16M)

(Parks, Streets)

New Money Utility Revenue Bond Issuance (\$125M)

(Water, Wastewater, Natural Gas, Electric, Solid Waste)

# 2018 General Obligation Bond

Issuance: \$16,120,000

Purpose	Authorization Year(s)	Available Authorization	Proposed Sale Series 2018	Remaining Authorization
Parks	2012	\$ 16,500,000	\$ 11,585,000	\$ 4,915,000
Streets	2013	\$ 34,485,000	\$ 4,535,000	\$ 29,950,000
<b>G.O. Bond Total</b>		<b>\$ 50,985,000</b>	<b>\$ 16,120,000</b>	<b>\$ 34,865,000</b>

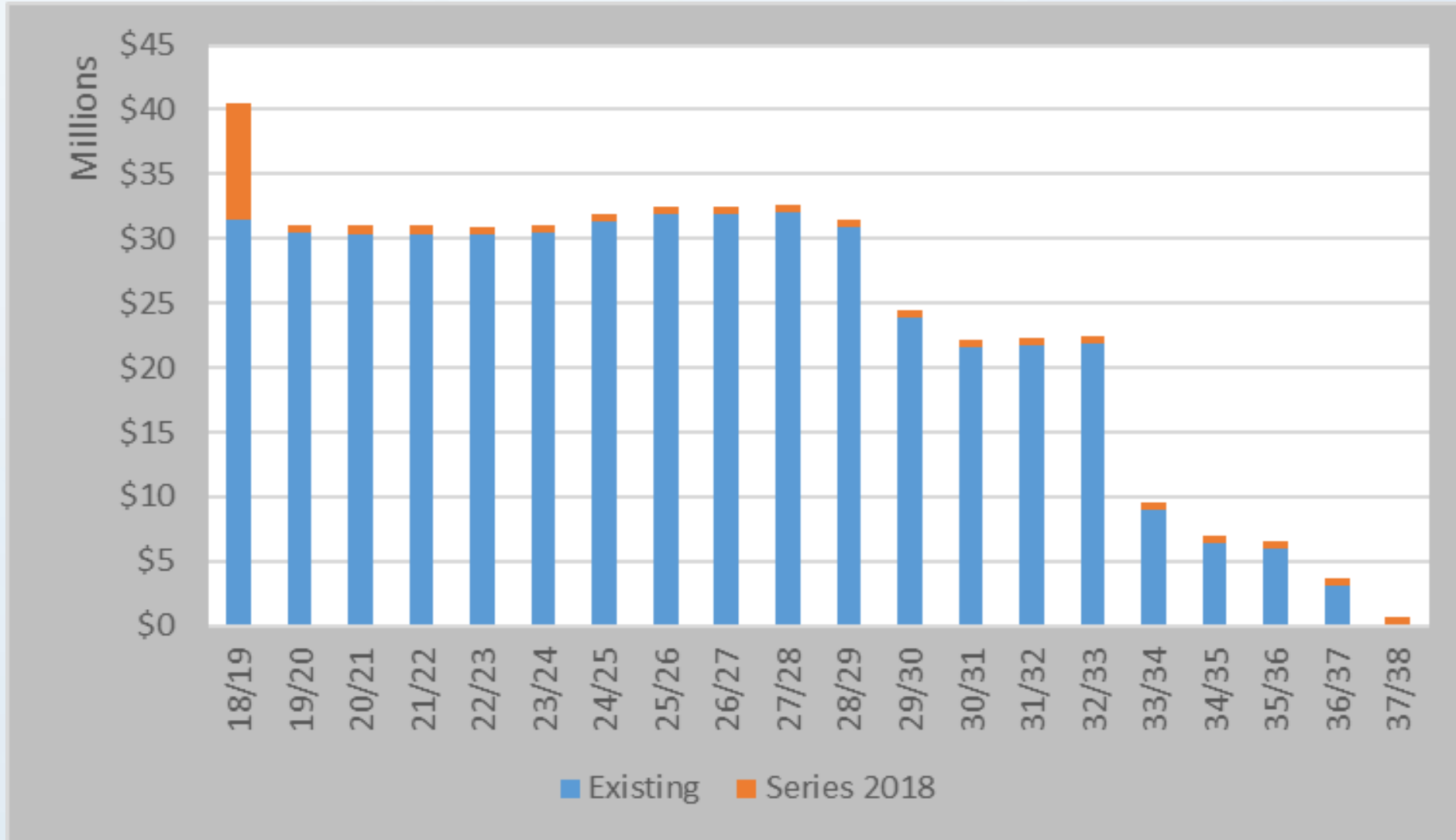
## Project Examples:

Eagles Park

Mesa Drive - Phase II

Elliot Road - Technology Corridor

# General Obligation Bond Debt Service



# 2018 Utility Systems Revenue Bond

Issuance: \$124,875,000

Purpose	Authorization Year(s)	Available Authorization	Proposed Sale Series 2018	Remaining Authorization
Electric	2014	\$ 24,190,000	\$ 3,010,000	\$ 21,180,000
Natural Gas	2010, 2014	\$ 60,975,000	\$ 5,015,000	\$ 55,960,000
Solid Waste	1994	\$ 3,570,000	\$ 1,505,000	\$ 2,065,000
Wastewater	2014	\$ 162,262,788	\$ 30,090,000	\$ 132,172,788
Water	2014	\$ 156,620,402	\$ 85,255,000	\$ 71,365,402
<b>Utility Bond Total</b>		<b>\$ 407,618,190</b>	<b>\$ 124,875,000</b>	<b>\$ 282,743,190</b>

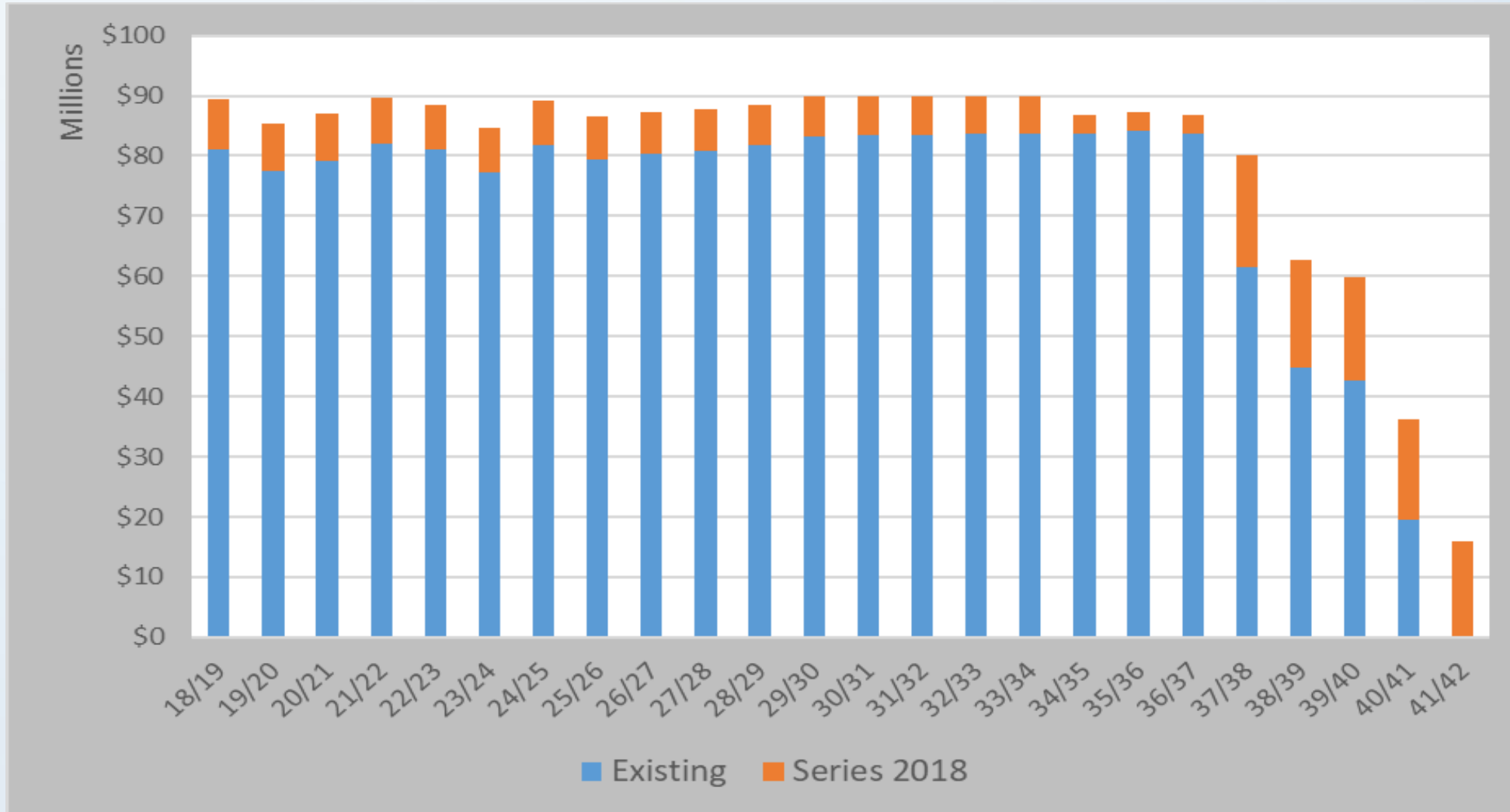
Project Examples:

Signal Butte Water Treatment Plant

Greenfield Wastewater Reclamation Plant Expansion

Solid Waste Household Hazardous Waste Facility

# Utility Systems Revenue Bond Debt Service





# Anticipated 2018 Bond Defeasance

**Defease** – to eliminate debt by setting aside the amount of cash that, along with interest earnings, exactly pays for the debt service when the bonds reach the due/call date

2018 Defeasance – Early redemption of \$15.2 million of utility systems revenue bond principal with development fee revenue

Advantages of defeasance:

- City removes defeased debt from financial statements
- City earns a slightly higher investment return



# Municipal Bonds

Loans made to the City by investors (typically 20-25 years) to fund capital improvement projects

- Interest paid on municipal and state bonds is typically exempt from federal income tax

Issuing municipal bonds is similar to taking out a home mortgage to build or buy a house

# Primary Types of Bonds

- **General Obligation (G.O.) Bonds** – Bonds used to finance general governmental (e.g., public safety, park, streets) infrastructure. The City pledges its full faith and credit to guarantee repayment of the bonds by any means necessary.
- **Utility Systems Revenue Bonds** – Bonds used to finance utility infrastructure. The City's utility systems revenue is pledged to repay the bonds.

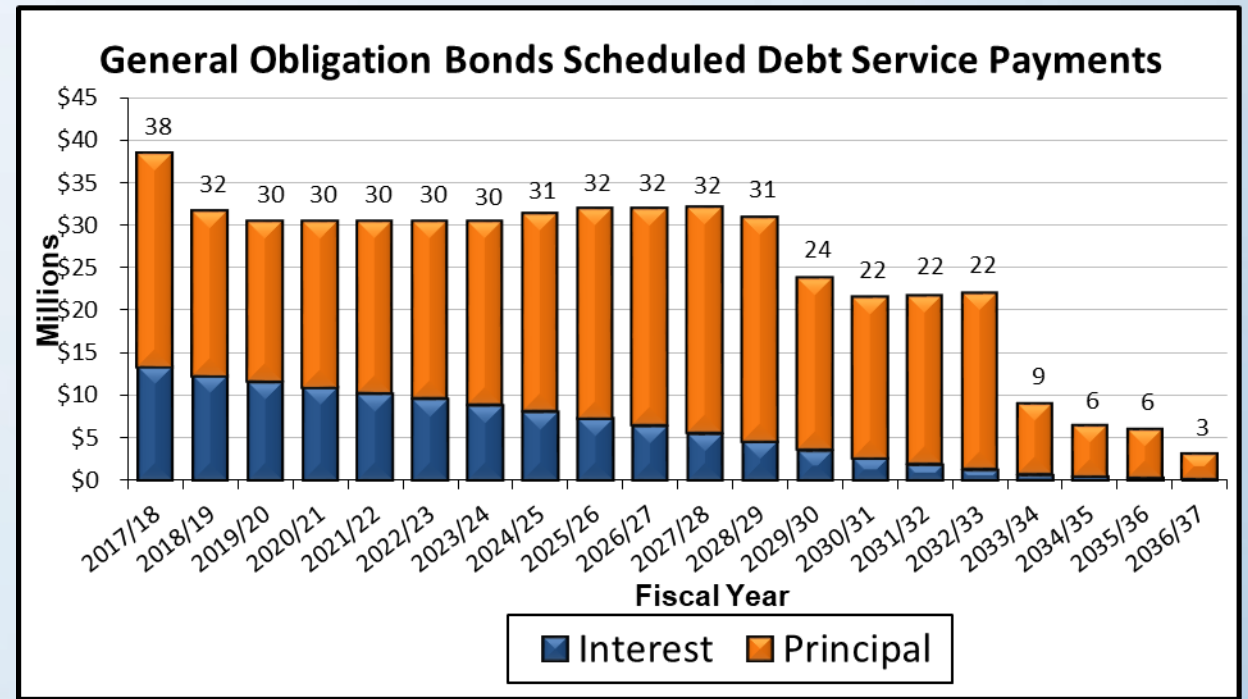
# Current Debt Portfolio (as of 4/1/18)

Debt Type	Principal (\$M)
Utility Systems Revenue Bonds	\$1,162
General Obligation Bonds	375
HURF (Streets) Bonds	85
Excise Tax Revenue Obligations	49
Eastmark No. 1 CFD Bonds	29
State Water Loans	2
Cadence CFD Bonds	0

# Existing General Obligation Bonds

Debt service is paid primarily from the City's secondary property tax levy.

Election Year	Authorization	Authorized but Unissued
1987	\$153,310,000	\$213,000
1996	168,800,000	15,094,000
2004	96,100,000	27,199,000
2012	70,000,000	16,500,000
2013	130,800,000	34,845,000



Type	Outstanding Principal	Moody's Rating	S&P's Rating
General Obligation	\$374,755,000	Aa2	AA-

# General Obligation Bond Debt Limit

- Per Arizona Constitution,
  - Outstanding GO debt for water, wastewater, artificial light, parks and recreational facilities, public safety, and transportation may not exceed **20%** of a city's net assessed valuation, and
  - Outstanding GO debt for general municipal purposes may not exceed an additional **6%** of a city's net assessed valuation.

General Obligation Bonds – Debt Limit (FY 2017-18)			
Debt Category	20%	6%	Total
Constitutional Limitation	\$797,660,798	\$239,298,239	\$1,036,959,038
Bonds Outstanding	373,908,604	846,397	374,755,000
<b>G.O. Debt Capacity Used</b>			<b>36%</b>
Borrowing Capacity Remaining	\$423,752,195	\$238,451,843	\$662,204,038

# Comparing G.O. Bond Debt

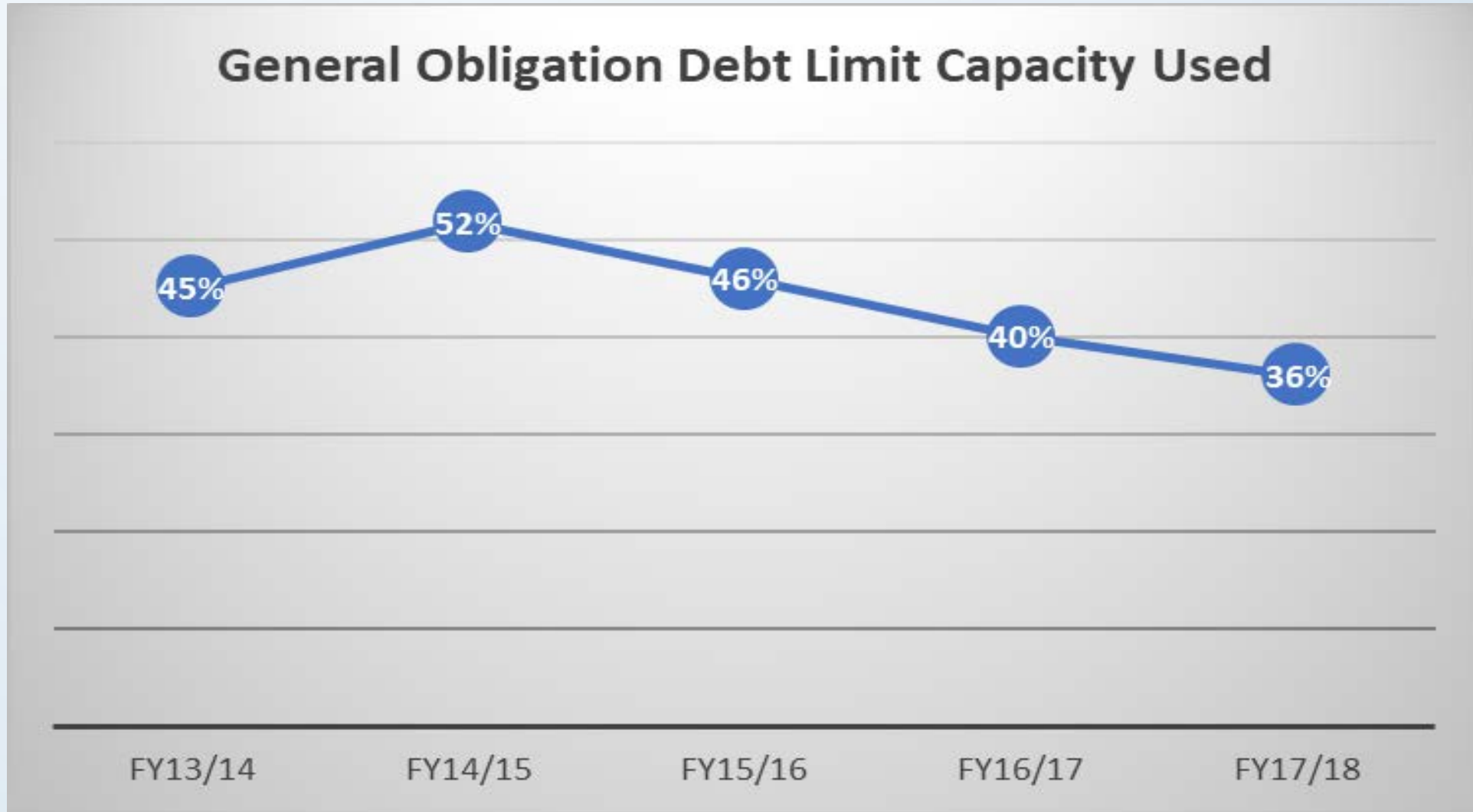
	Population*	Outstanding G.O. Bond Debt**	G.O. Bond Debt per Resident
Glendale	239,858	\$ 120,000,000	\$ 500
Gilbert	246,423	\$ 143,945,000	\$ 584
Phoenix	1,579,253	\$ 1,201,405,000	\$ 761
<b>Mesa</b>	<b>481,275</b>	<b>\$ 374,755,000</b>	<b>\$ 779</b>
Chandler	257,948	\$ 270,255,000	\$ 1,048
Tempe	179,794	\$ 366,390,000	\$ 2,038
Scottsdale	242,540	\$ 547,295,000	\$ 2,257

\*Source: Maricopa Association of Governments estimate as of July 1, 2017

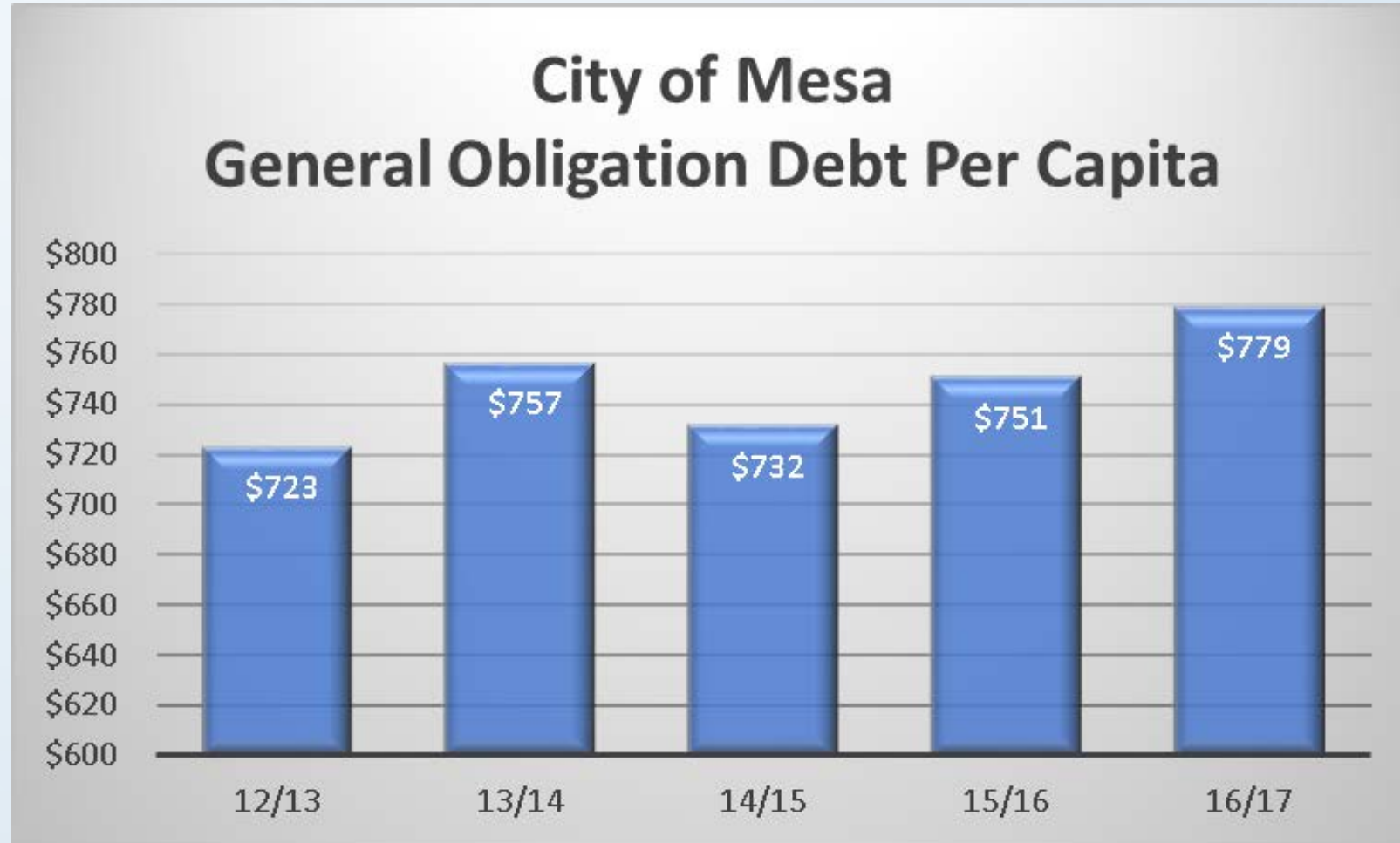
\*\*Source: Openbooks.az.gov Report of Long Term Debt as of June 30, 2017



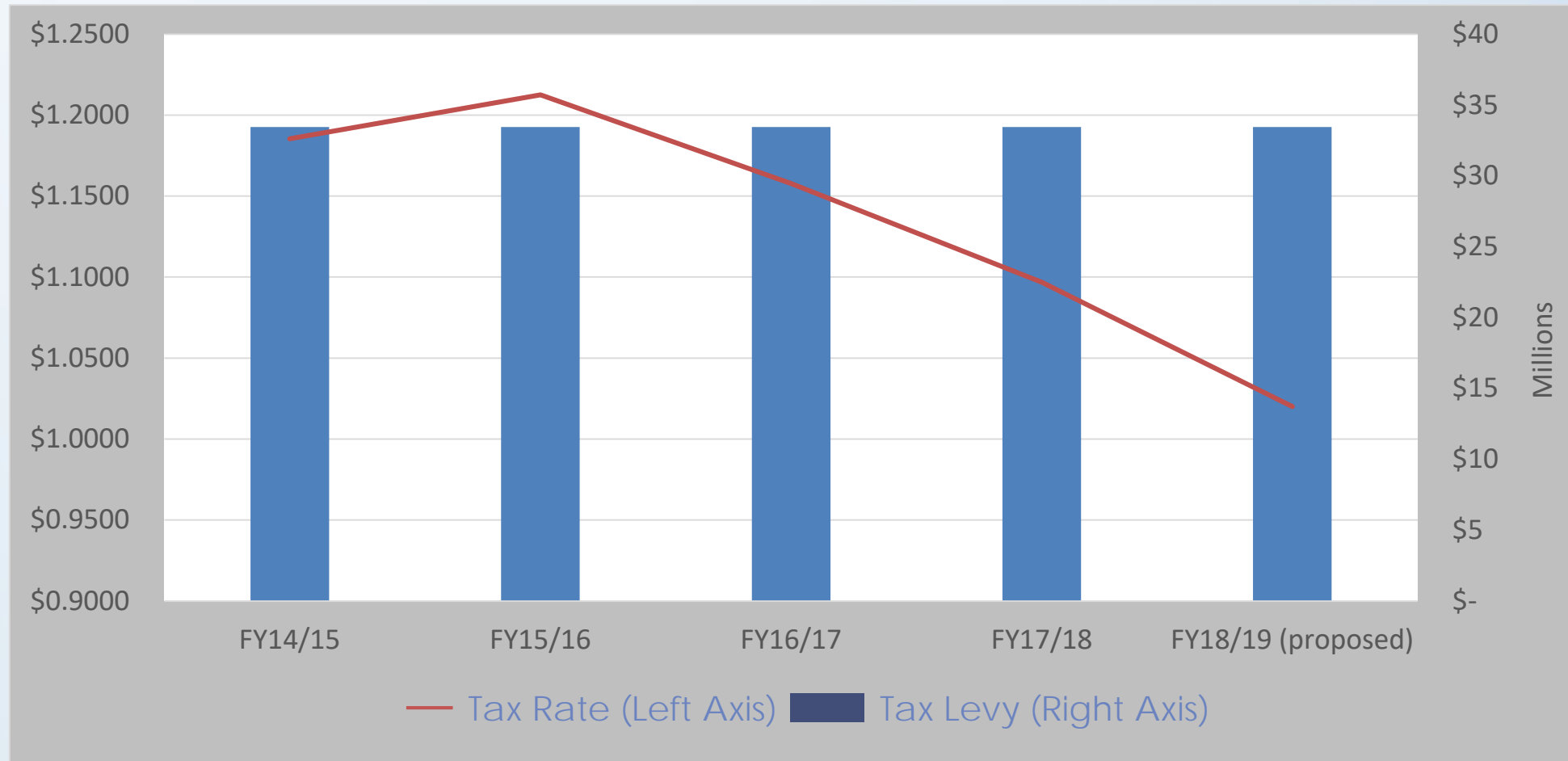
# General Obligation Legal Debt Capacity



# General Obligation Debt Per Capita



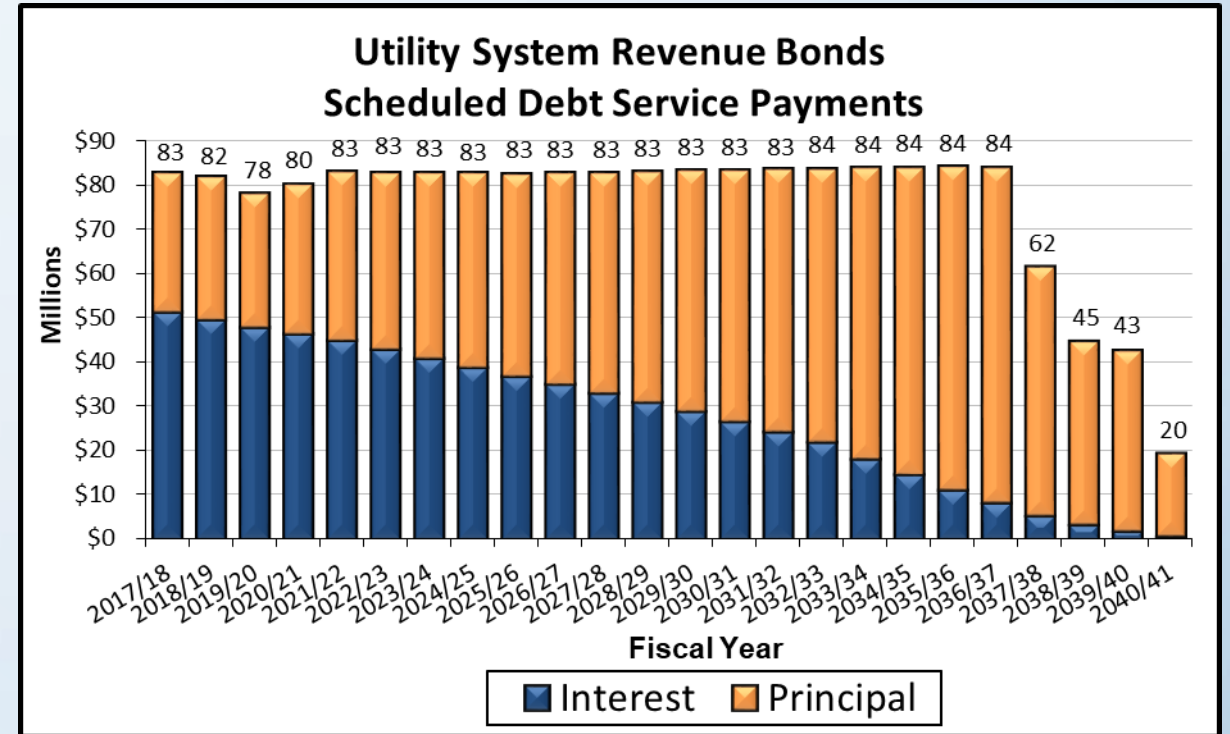
# Property Tax Levy and Rate Past 5 Years



# Existing Utility Systems Revenue Bonds

Debt service is secured and paid for by utility systems revenue.

Election Year	Authorization	Authorized but Unissued
1994	\$46,000,000	\$3,570,000
2010	202,100,000	1,875,000
2014	580,000,000	402,173,190



Type	Outstanding Principal	Moody's Rating	S&P's Rating
Utility System	\$1,161,755,000	Aa2	AA-

# Utility Systems Bond Debt Per Capita

