



# Bond Program Update

February 2, 2017

# Municipal Bonds

- Loans made to the City by investors (bondholders) for a certain time period (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 for which the issuer (the City) pledges its full faith and credit to guarantee repayment of the bonds by any means necessary. Since 2008, the City of Mesa has repaid G.O. bonds primarily through a secondary property tax.
- **Revenue Bonds** – Bonds that are repaid using the revenues from projects that the bonds funded. For example, City Utility Revenue Bonds are repaid with revenue from rate payers that utilize the infrastructure financed by the bonds.

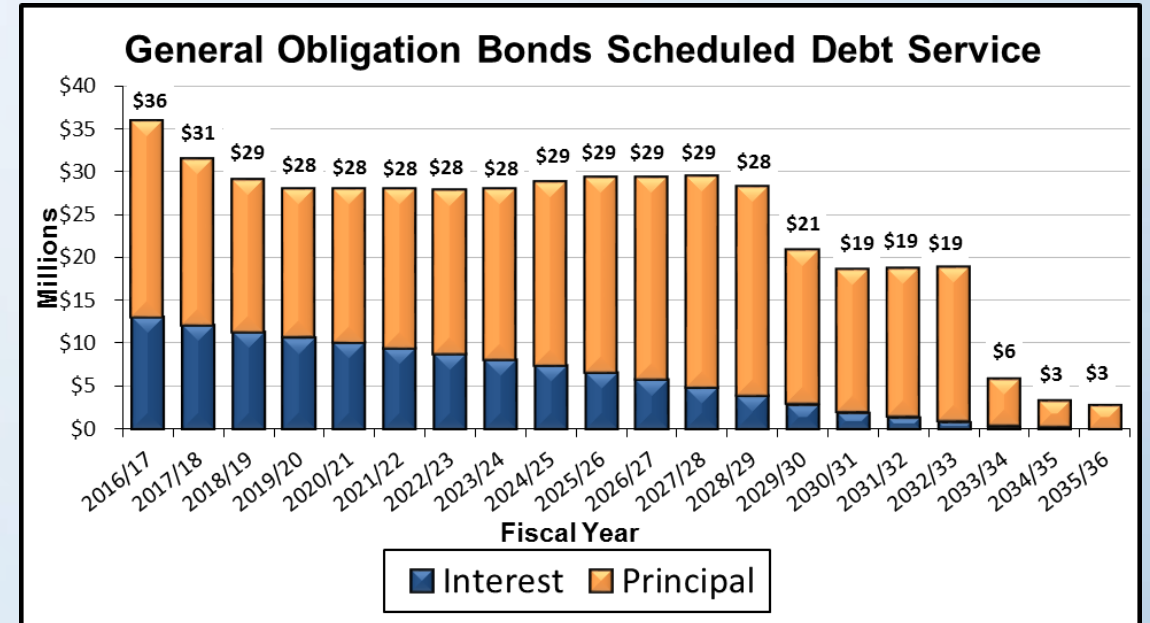
# City of Mesa Bond Portfolio

Bond Category	Principal (\$M)
Utility Revenue	\$1,064
General Obligation	351
Excise Tax Bonds	94
HURF (Streets)	93
State Water Loans	2
<b>Total</b>	<b>\$1,604</b>

# General Obligation (G.O.) 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	26,535,000
2013	130,800,000	71,990,000

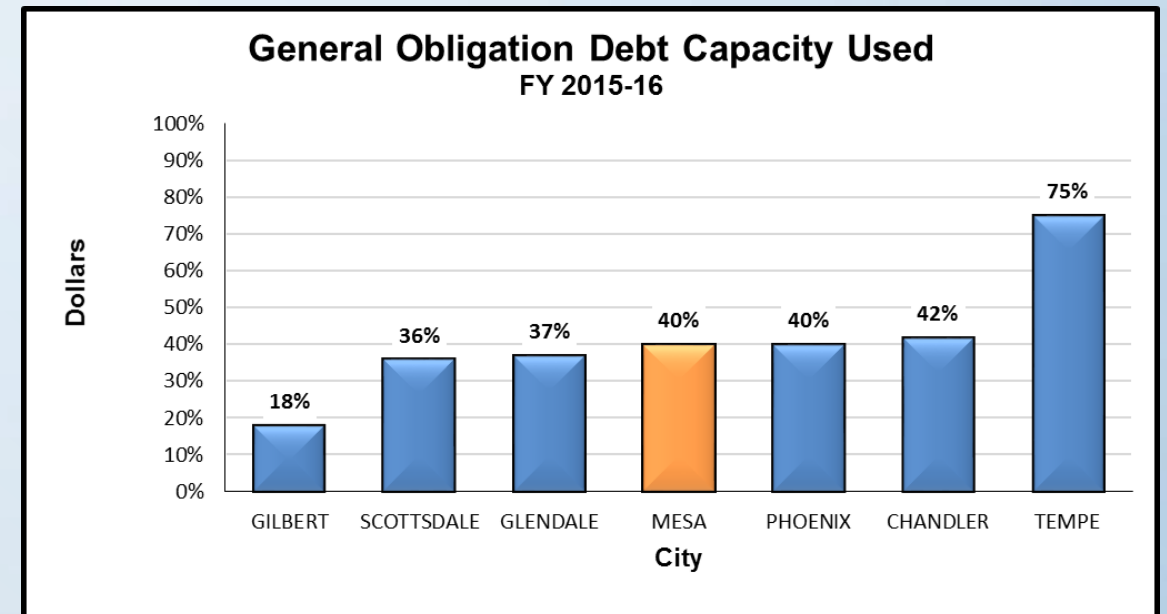


Type	Outstanding Principal	Moody's Rating	S&P's Rating
General Obligation	\$350,950,000	Aa2	AA-

# 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.

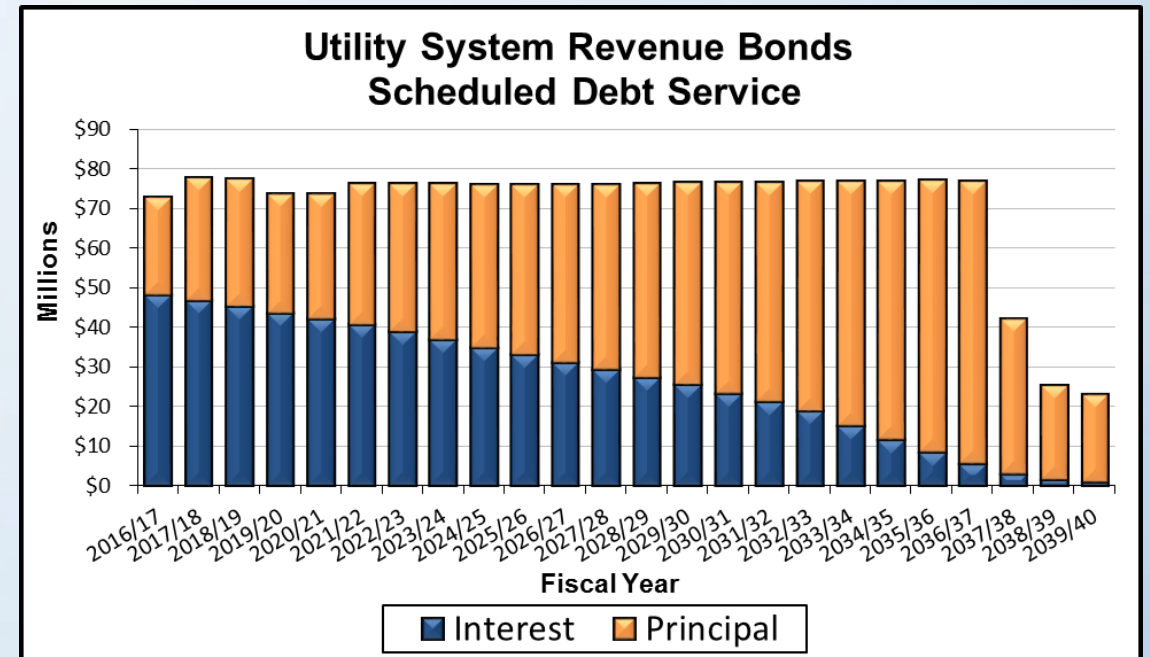
General Obligation Bonds – Debt Limit (FY 2015-16)			
Debt Category	20%	6%	Total
Constitutional Limitation	\$673,179,040	\$201,953,712	\$875,132,752
Bonds Outstanding	349,902,931	1,047,069	350,950,000
G.O. Debt Capacity Used	40%		
Borrowing Capacity Remaining	\$323,276,109	\$200,906,643	\$524,182,752



# Utility Systems Revenue Bonds

- Debt service is secured by and repaid from revenues of the utility systems.

Election Year	Authorization	Authorized but Unissued
1994	\$46,00,000	\$3,570,000
2010	202,100,000	32,577,788
2014	580,000,000	495,345,402



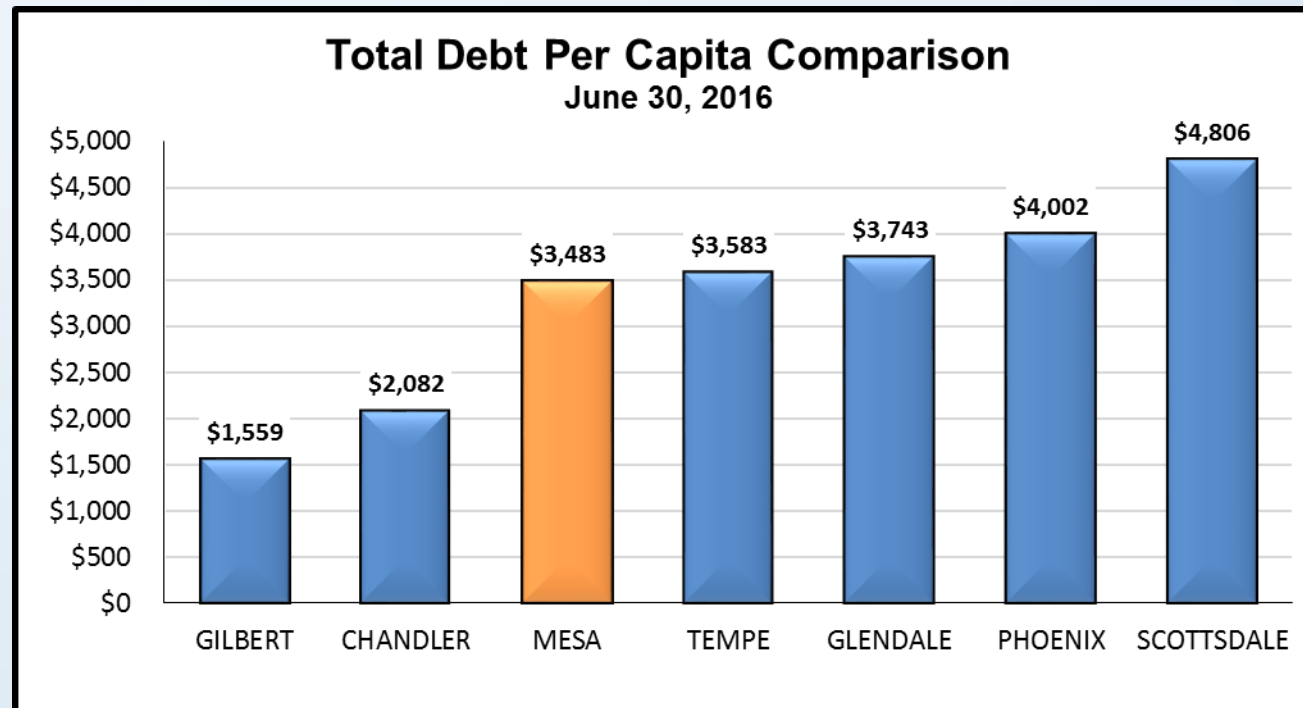
Type	Outstanding Principal	Moody's Rating	S&P's Rating
Utility System	\$1,063,710,000	Aa2	AA-



# Debt Comparison

Mesa – Bond Principal Outstanding (\$M): \$1,604

Debt Per Capita: \$3,483





# Refunding Bonds

- Refunding bonds are issued to replace or refinance previously issued debt with new debt
- Refunding is typically used to:
  - Restructure Debt
  - Save borrowing costs through lower interest rates
- City of Mesa internal policy to achieve minimum of 3% present value savings of the refunded debt

# Anticipated 2017 Bond Refunding Activity

- Refunding General Obligation Bond Issuance (\$3.7M estimated savings over 12 years)
- Refunding Utility Revenue Bond Issuance (\$7.9M estimated savings over 11 years)
- Retire \$6M of Utility Revenue bonds early with impact fee fund balance

# Anticipated 2017 Bond Refunding Activity

## Estimated Timeline

Feb 6<sup>th</sup> – City Council considers resolution authorizing refunding issuances

Week of Feb 6<sup>th</sup> – Staff conducts ratings calls

Week of Feb 27<sup>th</sup> – Price refunding bonds

Week of April 3<sup>rd</sup> – Close refunding bonds

# Anticipated 2017 New Money Bond Activity

- New Money General Obligation Bond Issuance (est: \$47M)  
(Public Safety, Parks, Streets)
- New Money Utility Revenue Bond Issuance (est: \$124M)  
(Water, Wastewater, Natural Gas, Electric)

# Anticipated 2017 New Money Bond Activity

## Estimated Timeline

Week of Feb 6<sup>th</sup> – Staff conducts ratings calls

Early April – City Council considers resolution authorizing new money bonds

Early May – Price new money bonds

Late May – Close new money bonds

