

# 2019 Bonds *Sales, Refundings, and Defeasance*

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# Municipal Bonds

Mesa voters:

- authorize the City to sell bonds to finance infrastructure
  - the City's capital improvement program (CIP) funded primarily with bonds

The City:

- evaluates (annually) the need to sell new bonds
- **issues**, or sells, new bonds to finance capital projects for the calendar year
- looks for opportunities to **refund**, or refinance, existing bonds at a lower cost over the same timeframe
- uses available funding to **defease**, or pre-fund, existing debt service



# Debt Service

- The City pays principal and interest (debt service) for the life of the bonds (typically 20-25 years)
- The structure of new debt service is coordinated with existing debt to maintain stable payments from year to year
- The City's financial forecast includes debt service for both existing and anticipated bond issuances

# General Obligation Bonds

- To finance general governmental infrastructure
- Secured by the full faith and credit of City (i.e., property tax)
- Paid for primarily from the City's secondary property tax levy

## 2018 Bond Ratings

Moody's: Aa2 *"of high quality and subject to very low credit risk"*

S&P: AA- *"capacity to meet financial commitments is very strong"*



# Utility Systems Revenue Bonds

- To finance utility systems infrastructure
- Secured by utility systems revenue
- Paid for primarily from utility systems revenue

## 2018 Bond Ratings

Moody's: Aa2 *"of high quality and subject to very low credit risk"*

S&P: AA- *"capacity to meet financial commitments is very strong"*

# Anticipated 2019 New Bond Issues

General Obligation Bonds . . . . . \$33M

Parks and Culture

Public Safety

Streets

Utility Systems Revenue Bonds . . . . . \$112M

Electric

Natural Gas

Solid Waste

Wastewater

Water



# 2019 General Obligation Bond

Issuance: \$33,065,000

Purpose	Authorization Year(s)	Available Authorization	Proposed Sale Series 2019	Remaining Authorization
Parks	2012	\$ 4,915,000	\$ 4,915,000	\$ 0
Parks and Culture	2018	\$ 111,000,000	\$ 8,060,000	\$ 102,940,000
Streets	2013	\$ 30,310,000	\$ 10,045,000	\$ 20,265,000
Public Safety	2018	\$ 85,000,000	\$ 10,045,000	\$ 74,955,000
<b>G.O. Bond Total</b>		<b>\$ 231,225,000</b>	<b>\$ 33,065,000</b>	<b>\$ 198,160,000</b>

## Project Examples

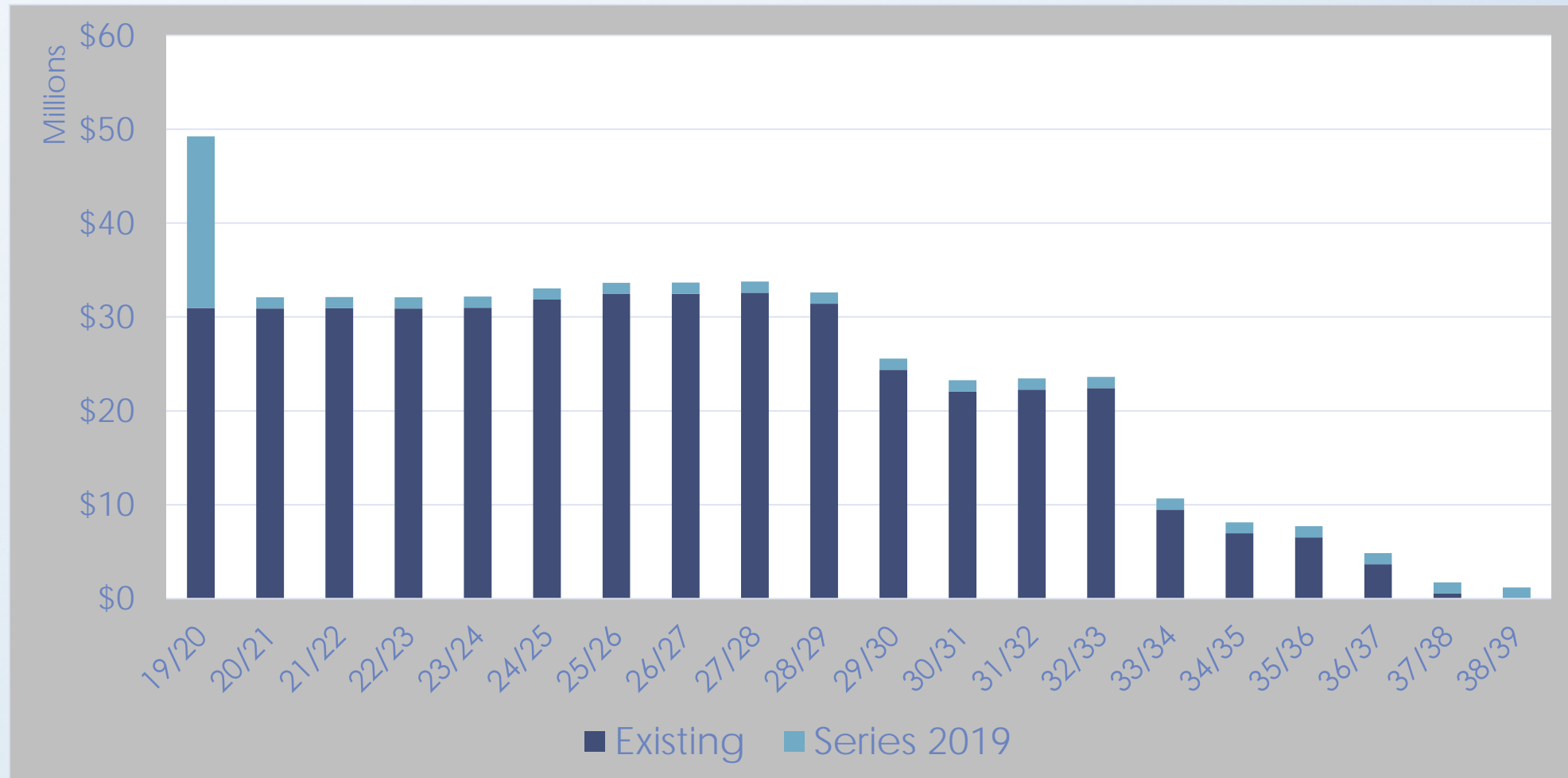
Elliot Road Technology Corridor

Fire Apparatus

Library Improvements

Signal Butte Park

# General Obligation Bond Debt Service





# 2019 Utility Systems Revenue Bond

Issuance: \$111,835,000

Purpose	Authorization Year(s)	Available Authorization	Proposed Sale Series 2019	Remaining Authorization
Electric	2014	\$ 21,490,000	\$ 5,015,000	\$ 16,475,000
Natural Gas	2014	\$ 56,470,000	\$ 8,025,000	\$ 48,445,000
Solid Waste	1994	\$ 2,220,000	\$ 1,520,000	\$ 700,000
Wastewater	2014	\$ 135,247,788	\$ 65,185,000	\$ 70,062,788
Water	2014	\$ 80,070,402	\$ 32,090,000	\$ 47,980,402
<b>Utility Bond Total</b>		<b>\$ 295,498,190</b>	<b>\$ 111,835,000</b>	<b>\$ 183,663,190</b>

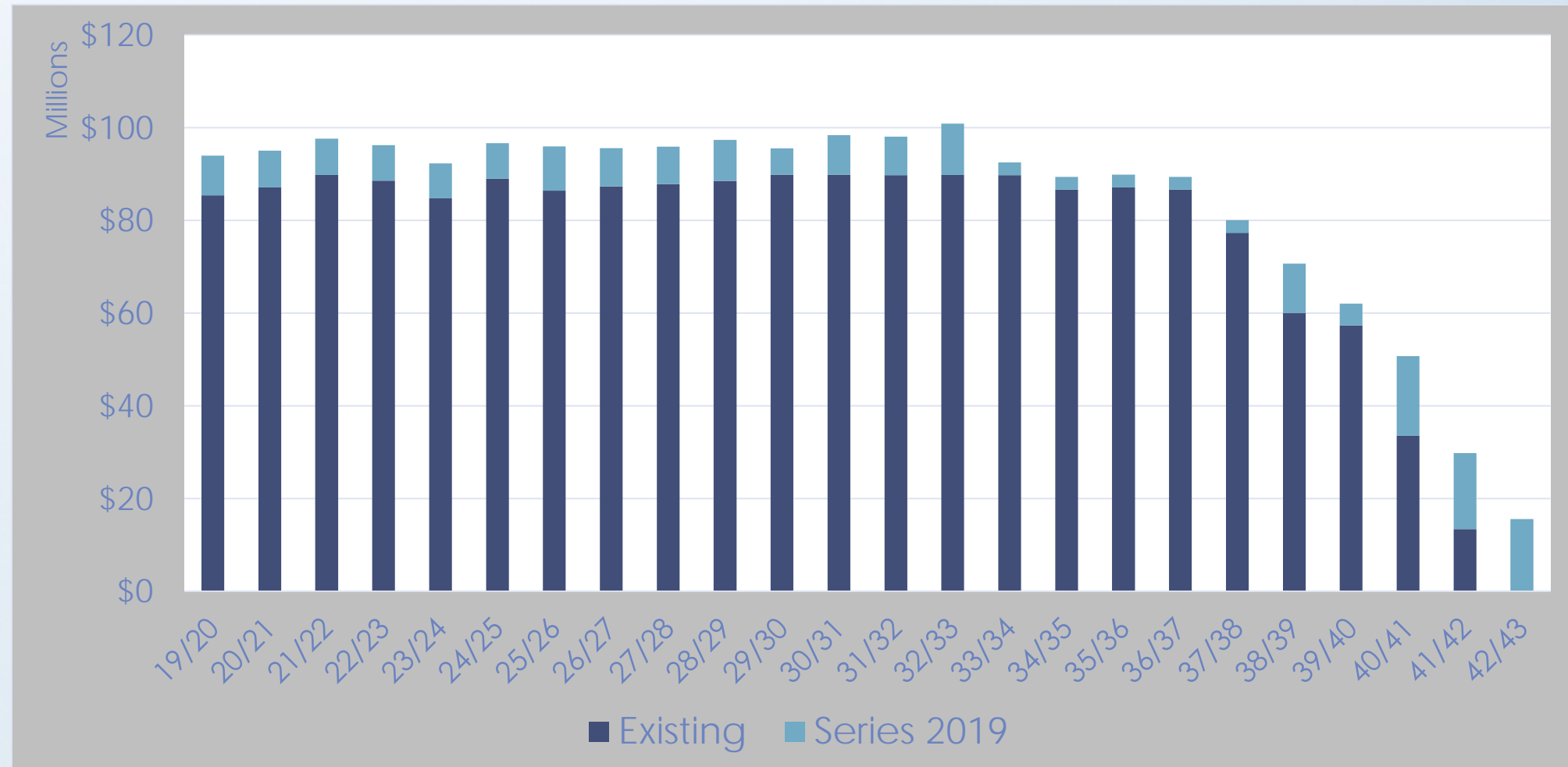
## Project Examples

Greenfield Wastewater Reclamation Plant Expansion

Horne Avenue - Utility Improvements

Mesa Drive Phase II - Utility Improvements

# Utility Systems Revenue Bond Debt Service





# Anticipated 2019 Bond Defeasance and Refundings

## Utility Systems Revenue Bonds

### 1. Defeasance – 2009 Build America Bonds (BABs)

**Defease: \$10.0 million**

- Funded by development fee revenue
- Removed from City financial statements

### 2. Refunding – 2009 Build America Bonds (BABs)

**Estimated Savings: \$4.7 million**

### 3. Refunding – 2012 Utility Revenue bonds

**Estimated Savings: \$7.3 million**

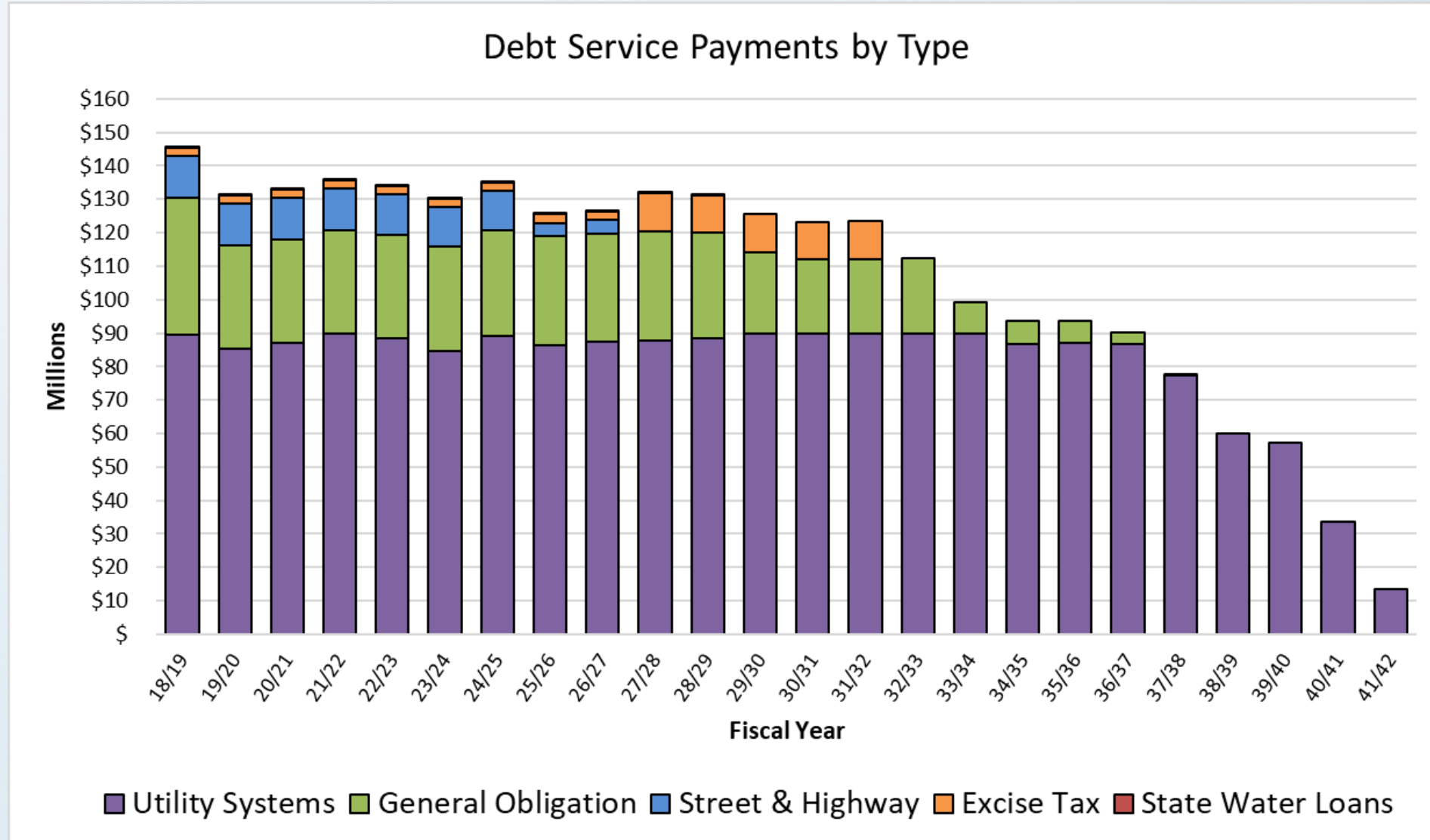
# Estimated Timeline for 2019 Bond Transactions

April 1	Council considers authorization of issuances
April 16	City closes on utility bond defeasance
April 29	Bond offerings are priced
May 23	City closes on bond offerings





# City of Mesa Debt Service





# City Debt

Debt Type	Principal (\$M)
Utility Systems Revenue Bonds	\$1,227
General Obligation Bonds	366
HURF (Street & Highway) Bonds	77
Excise Tax Revenue Obligations	49
State Water Loans	2

# General Obligation Bond Debt Limit

The Arizona Constitution states that outstanding general obligation debt may not exceed the following percentages of a city's net assessed (taxable) property value:

Purpose	Limit
Water, wastewater, artificial light, parks and recreational facilities, public safety, and transportation	20%
General municipal purposes	6%
Total	26%

General Obligation Debt Limit (FY 2018-19)			
	20%	6%	Total
Limit	\$871,678,466	\$261,503,540	\$1,133,182,006
Bonds Outstanding	365,107,171	647,830	365,755,000
<b>Debt Capacity Used</b>			<b>32%</b>
Borrowing Capacity Remaining	\$506,571,296	\$260,855,711	\$767,427,007



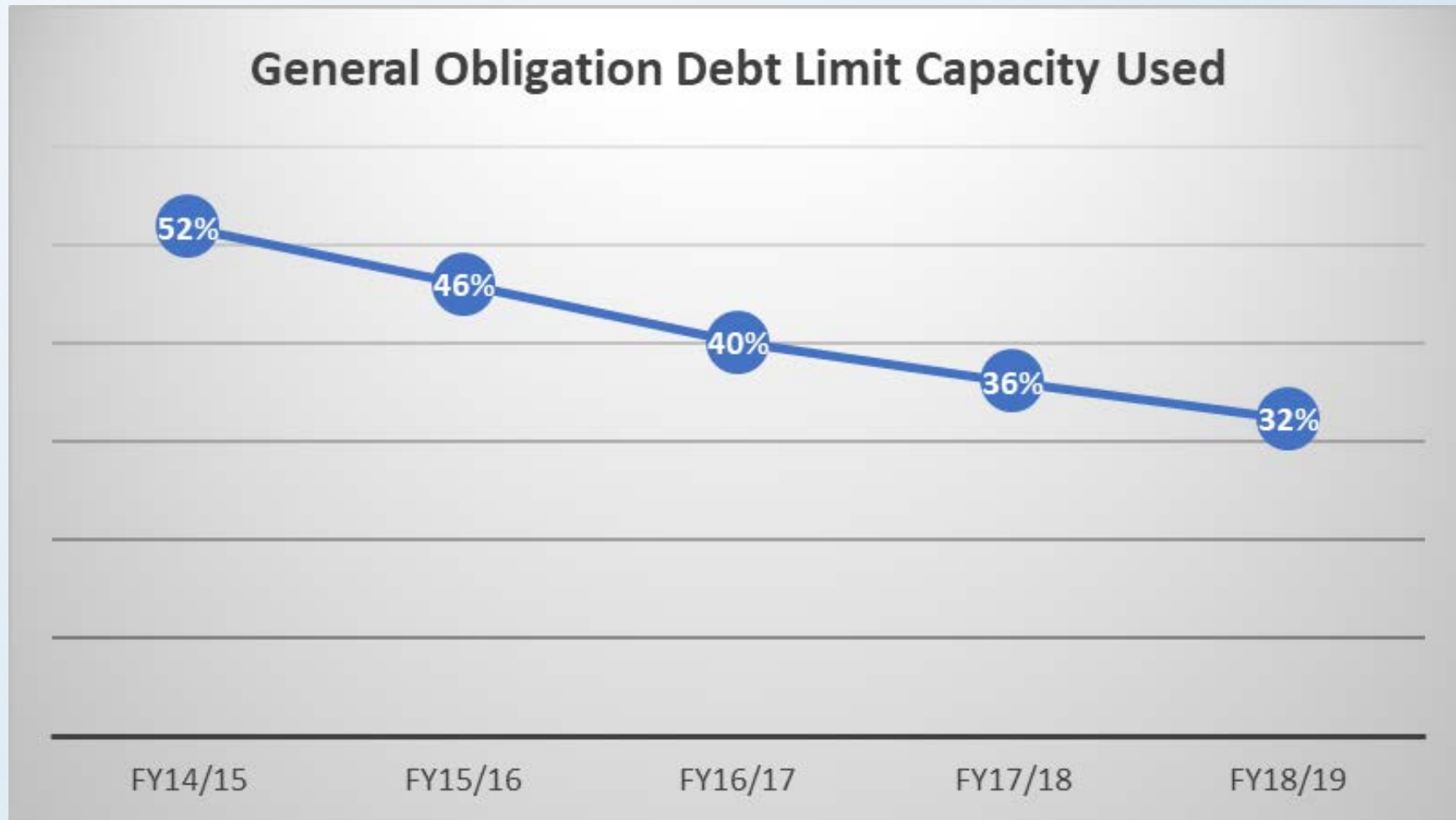
# Comparing G.O. Bond Debt

	Population*	Outstanding G.O. Bond Debt**	G.O. Bond Debt per Resident	Percent of G.O. Debt Limit**
Gilbert	250,900	\$ 128,090,000	\$ 511	23%
Glendale	244,500	\$ 146,985,000	\$ 601	40%
Phoenix	1,614,800	\$ 1,149,785,000	\$ 712	27%
<b>Mesa</b>	487,100	\$ 365,755,000	\$ 751	32%
Chandler	266,800	\$ 301,665,000	\$ 1,131	33%
Tempe	181,700	\$ 372,070,000	\$ 2,048	58%
Scottsdale	246,600	\$ 525,465,000	\$ 2,131	28%

\*Source: Maricopa Association of Governments estimate as of July 1, 2018

\*\*Source: Openbooks.az.gov Report of Long Term Debt as of June 30, 2018

# General Obligation Legal Debt Capacity





# General Obligation Debt Per Capita

