



Defeasance of Series 2013 Excise Tax Revenue Bonds

August 15, 2019

Background

- In 2013, the City of Mesa issued \$94 million of excise tax revenue bonds for the construction and renovation of Mesa's two spring training baseball stadium facilities.
- Before construction began, Mesa had identified revenue from the sale of City-owned Pinal County land as the funding source.



Background (cont.)

- The purchase agreement for the sale of the City-owned farm lands in Pinal County was set up in three phases with initial closing in December of 2013.
- 2013 Excise tax revenue bond was structured to have debt service payments covered by lease revenue with approximately half of the principal (\$45 M) callable in June 2017 (which were redeemed shortly thereafter).



Completion of Sale

- The purchase of the remaining acreage of City-owned land in Pinal County was finalized at the end of June providing the funding required to defease the remaining \$49 M outstanding of the 2013 excise tax bond.



Defeasance

- The excise tax bond would be defeased by purchasing interest-bearing securities and placing them in an irrevocable trust.
- These securities would be structured to mature at exactly the dates and amounts needed to pay interest payments and to redeem the bonds when they become callable in 2022.
- The defeasance of the 2013 excise tax revenue bond would allow the City to save \$22 M of interest cost from the original debt structure that runs through July 2032.

Results

- The purchase agreement and master lease approved in 2012 resulted in the receipt of the following proceeds:
 - Sale Proceeds \$109 M
 - Lease Revenue \$25 M
- If defeasance approved by Council, the total payments associated with the 2013 excise tax revenue bond would be as follows:
 - Principal \$94 M
 - Interest Cost \$30 M

Estimated Timeline for Defeasance Transaction

August 19	Council considers authorization of defeasance
August 21	Competitive bids for securities are received and final numbers for verification are submitted
September 5	City closes defeasance transaction

