2026 Financing Plan

April 2, 2026

Mark Hute, Treasurer

Financing Plan & Benefits

What is the financing plan?

- Plan to secure funding for capital projects through bonds/obligations

What are some benefits to financing?

1. Tax-exempt (Lower interest rates)
2. Accelerates project delivery
3. Spreads costs over useful life of projects
4. Assists in smooth rate adjustments

Financing Process

1. Capital Improvement Program (CIP)
   - Projects prioritized
   - Funding source identified (cash and/or financing)
2. Seek voter approval (General obligation bonds)
3. Access financial markets ← We are here

CIP Process

Voter Approval

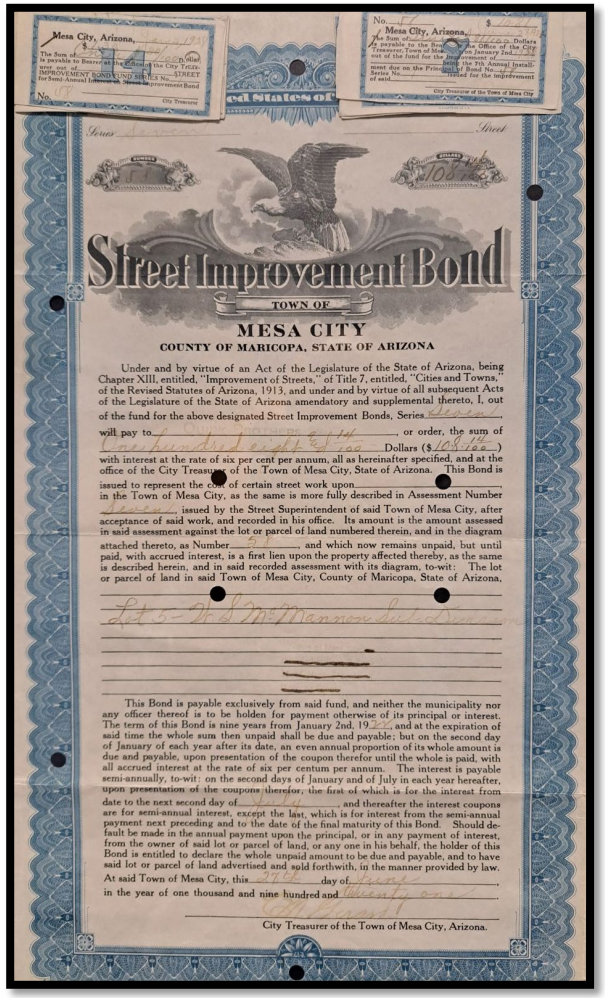
Financial Markets

Managing Long-Term Obligations

- Tax-exempt
- Structured for stable payments
- Up to 25-year final maturity
- 10-year refinance “call”

“Bonds” and “Obligations” = Loans

1. General Obligation (GO) **Bonds**
   - Voter-approved for specific purpose (parks, etc.)
   - Backed by “full faith and credit” of City
   - Paid for with secondary property tax
2. Utility Systems Revenue **Obligations**
   - Contractual obligation
   - Backed by utility revenue pledge
   - Paid for with utility revenue



Mesa City, Arizona,

Street Improvement Bond

TOWN OF

MESA CITY

COUNTY OF MARICOPA, STATE OF ARIZONA

Under and by virtue of an Act of the Legislature of the State of Arizona, being Chapter XIII, entitled, "Improvement of Streets," of Title 7, entitled, "Cities and Towns," of the Revised Statutes of Arizona, 1913, and under and by virtue of all subsequent Acts of the Legislature of the State of Arizona amendatory and supplemental thereto, I, out of the fund for the above designated Street Improvement Bonds, Series

will pay to

Dollars ($

with interest at the rate of six per cent per annum, all as hereinafter specified, and at the office of the City Treasurer of the Town of Mesa City, State of Arizona. This Bond is issued to represent the cost of certain street work upon

in the Town of Mesa City, as the same is more fully described in Assessment Number

issued by the Street Superintendent of said Town of Mesa City, after acceptance of said work, and recorded in his office. Its amount is the amount assessed in said assessment against the lot or parcel of land numbered herein, and in the diagram attached thereto, as Number

and which now remains unpaid, but until paid, with accrued interest, is a first lien upon the property affected thereby, as the same is described herein, and in said recorded assessment with its diagram, to-wit: The lot or parcel of land in said Town of Mesa City, County of Maricopa, State of Arizona,

This Bond is payable exclusively from said fund, and neither the municipality nor any officer thereof is to be holden for payment otherwise of its principal or interest. The term of this Bond is nine years from January 2nd, 19

and at the expiration of said time the whole sum then unpaid shall be due and payable; but on the second day of January of each year after its date, an even annual proportion of its whole amount is due and payable, upon presentation of the coupon therefor until the whole is paid, with all accrued interest at the rate of six per centum per annum. The interest is payable semi-annually, to-wit: on the second days of January and of July in each year hereafter, upon presentation of the coupons therefor, the first of which is for the interest from date to the next second day of

and thereafter the interest coupons are for semi-annual interest, except the last, which is for interest from the semi-annual payment next preceding and to the date of the final maturity of this Bond. Should default be made in the annual payment upon the principal, or in any payment of interest, from the owner of said lot or parcel of land, or any one in his behalf, the holder of this Bond is entitled to declare the whole unpaid amount to be due and payable, and to have said lot or parcel of land advertised and sold forthwith, in the manner provided by law.

At said Town of Mesa City, this

day of

in the year of one thousand and nine hundred and

City Treasurer of the Town of Mesa City, Arizona.

Proposed 2026 Utility Refundings

"To ensure that bond refundings produce anticipated savings, **refunding bonds should have a net present value savings exceeding 3%** of the debt service amount of the bonds being refunded…" *(City of Mesa Financial Policies, section 5.6, 2017)*

Utility Systems Revenue Bonds/Obligations (Tax-exempt)

- Refinance: **$225 million** (Bonds issued 2013 – 2016)
- Estimated Savings: **$13.6 million** (NPV of **4.2%** of prior debt service)

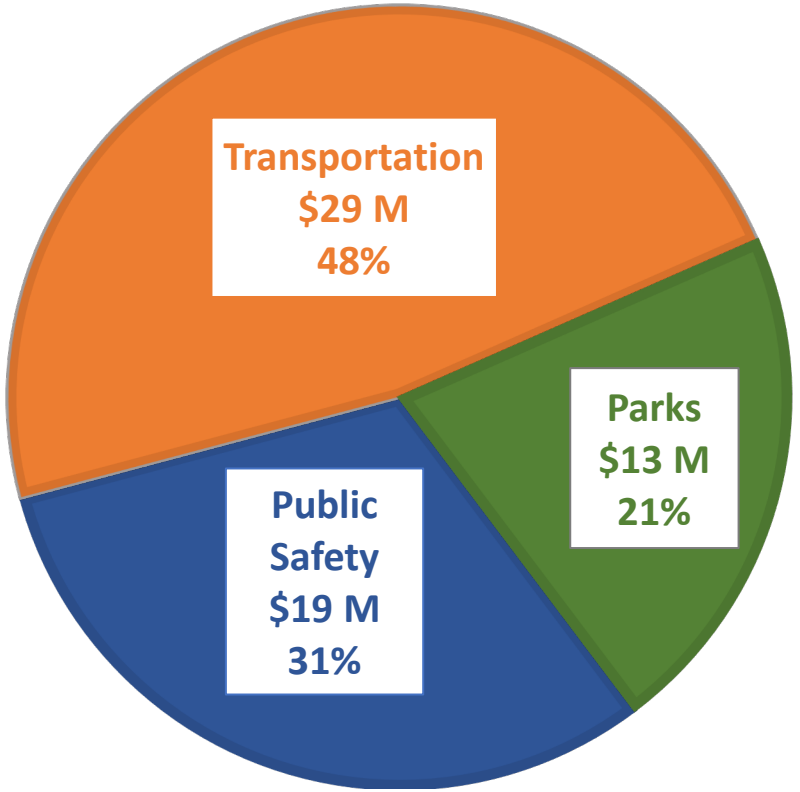
Proposed 2026 GO Bonds Issuances

<u>GO Bonds (Tax-exempt)</u>

Target Proceeds: $61 million

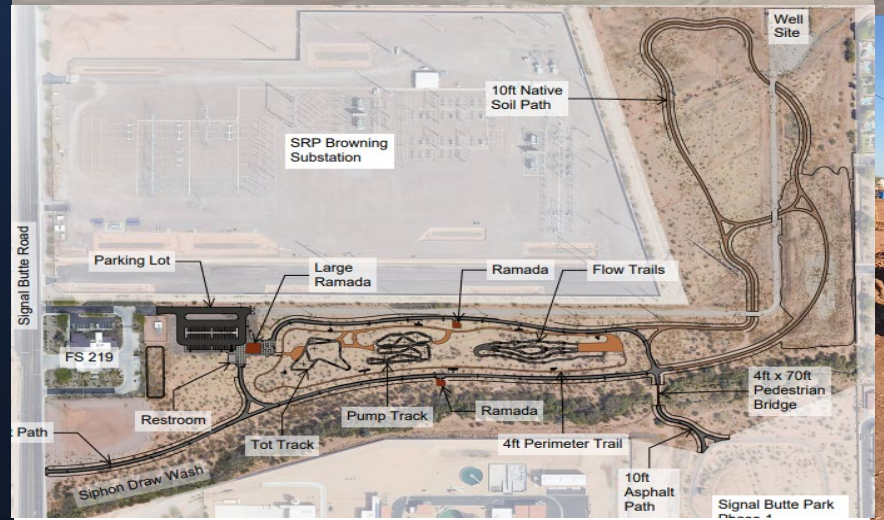
Parks, Public Safety, Transportation

- Bond elections: 2020, 2022, & 2024



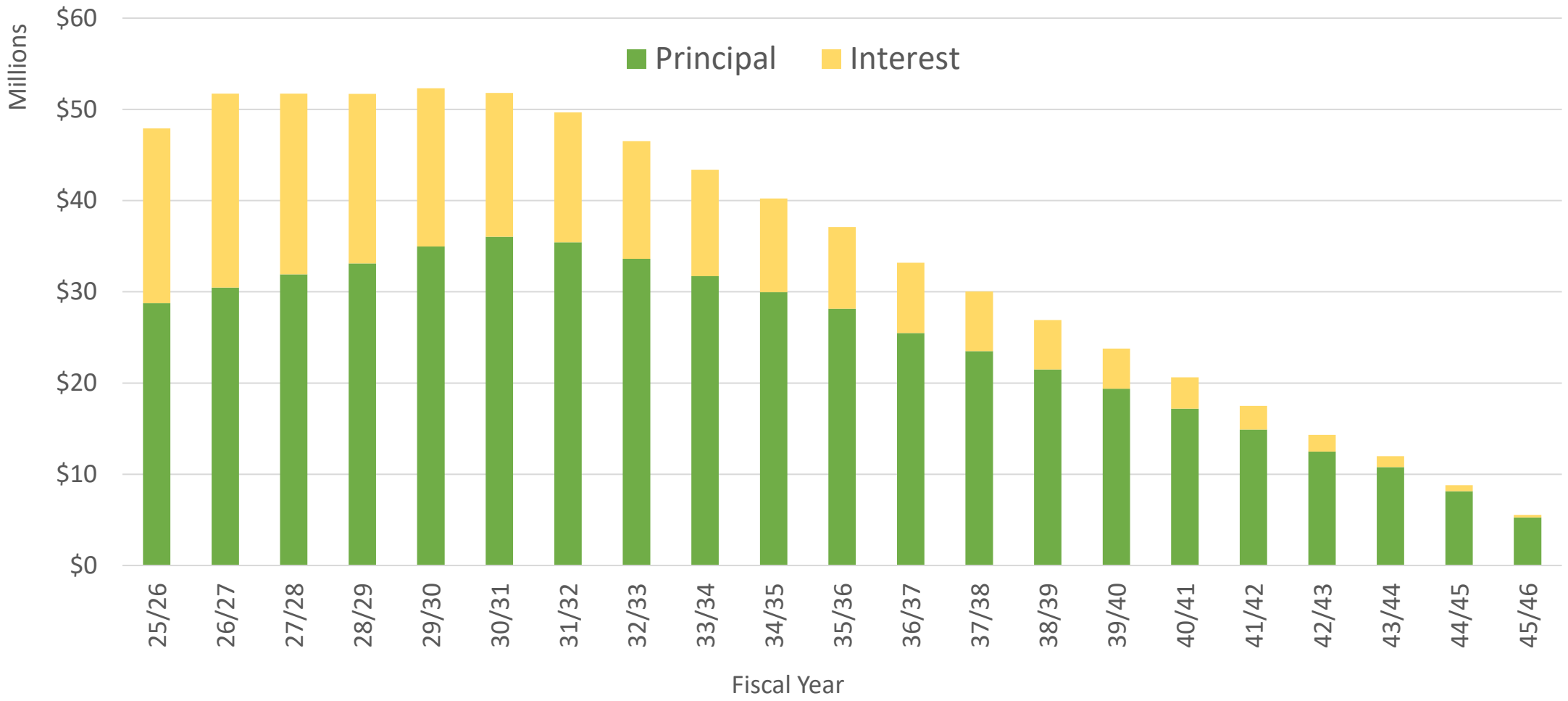
GO Bonds
Project Examples

- Fire Station 205 Rebuild
- Fire Station 224
- idea Museum Renovations
- Police Headquarters
- Signal Butte Park Phase 2
- Transportation Projects



Total GO Bonds Financing Payments

(Outstanding + 2026 Proposed)

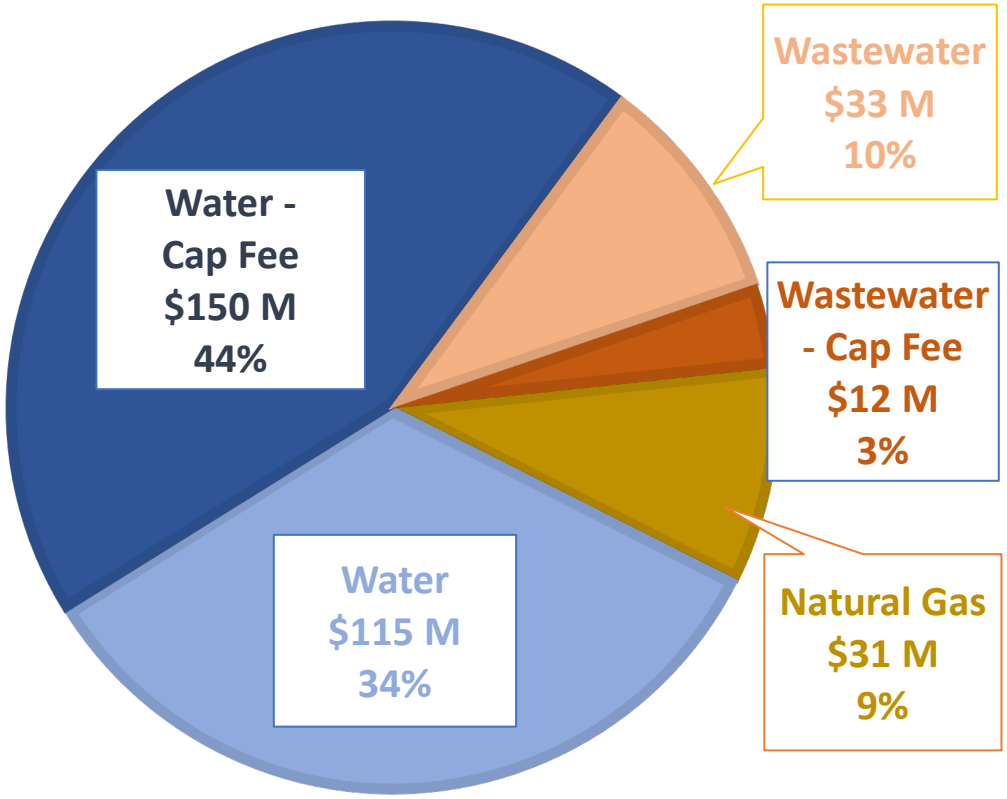


Proposed 2026 Utility Obligations Issuances

Utility Systems Revenue Obligations (Tax-exempt)

Target Proceeds: $341 million

- **$179 million** for non-capacity fee projects
  - *Water, Wastewater, and Natural Gas*
- **$162 million** for capacity fee projects
  - *Water and Wastewater*

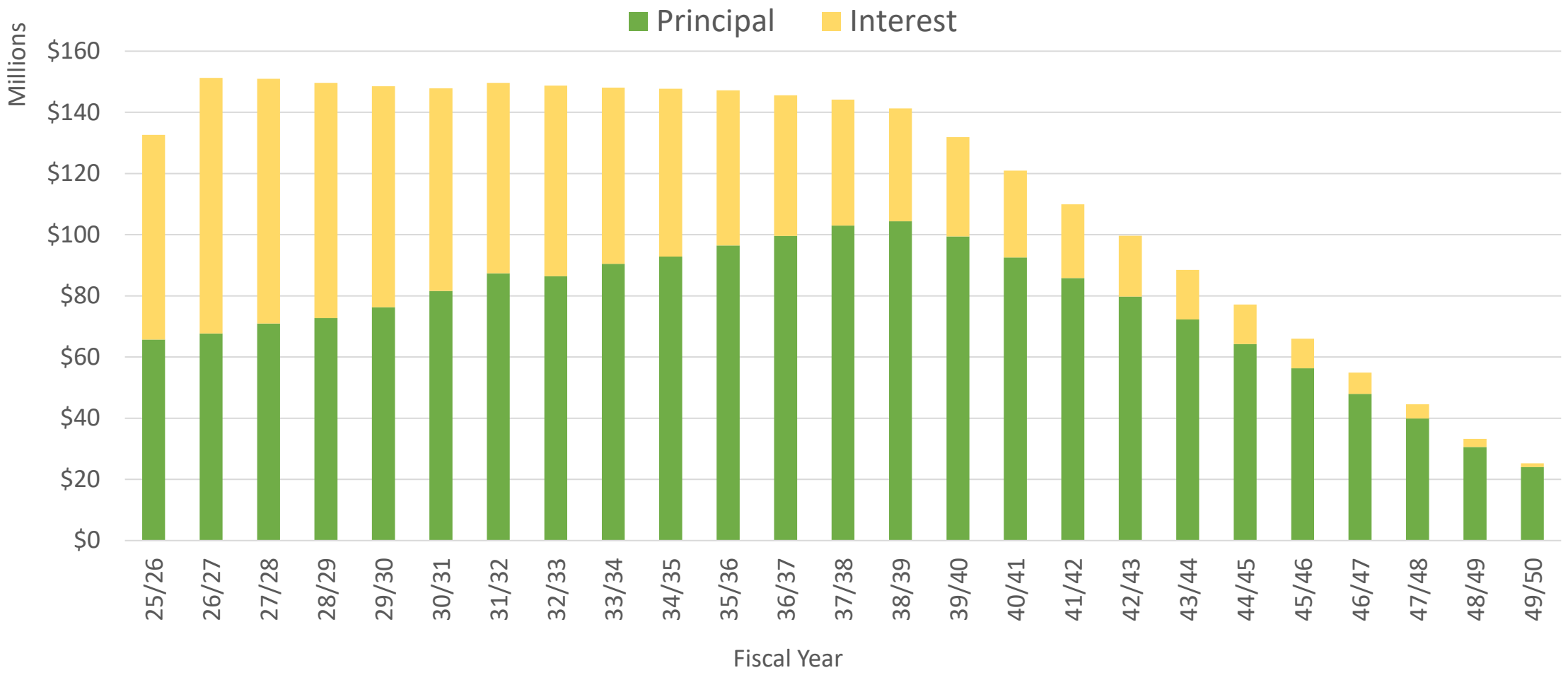


Utility Obligations
Project Examples

- Smart Metering (Advanced Metering Infrastructure)
- Central Mesa Reuse Pipeline
- Natural Gas System Improvements
- Signal Butte Water Treatment Plant Expansion

Total Utility Financing Payments

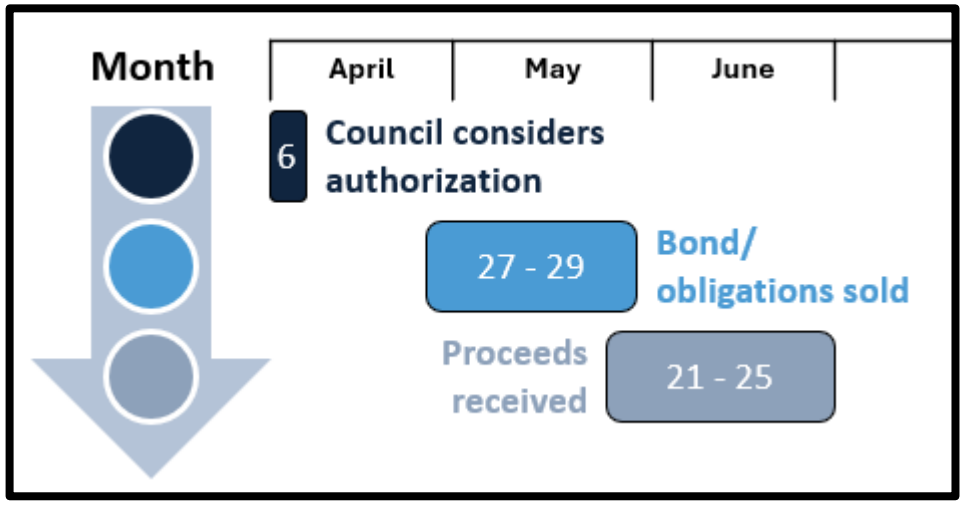
(Outstanding + 2026 Proposed)



Timeline for 2026 Financings

(Subject to market conditions)

April 6	Council considers authorization
April 27 – May 29	Bonds/obligations sold
May 21 – June 25	Proceeds received



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