



City Council Report

Date: April 19, 2021
To: City Council
Through: Chris Brady, City Manager
Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Ryan Wimmer, Treasurer
Subject: General Obligation Bond Sale - Series 2021

Purpose and Recommendation

The purpose of this item is to authorize the sale of general obligation ("G.O.") bonds to finance capital projects. It is recommended that the City Council authorize the sale of not-to-exceed \$20,070,000 of General Obligation Bonds, Series 2021 (the "Series 2021 Bonds") through a negotiated process.

Background

In Citywide elections, Mesa residents have authorized the City to use G.O. bonds to finance capital projects. The City plans to use the proceeds from the sales of Series 2021 Bonds to pay for the purchase, design, and/or construction of capital projects during calendar year 2021, although some of the bond proceeds may be spent sooner or later (depending on the timing of project spending).

The Series 2021 Bonds represent portions of bond authorizations approved by the City electorate in G.O. bond elections held in 2013, 2018, and 2020.

Table 1 below shows those City G.O. bond authorizations that are currently in use (some older bond authorizations remain but are not being utilized). The table includes the purpose and amounts of the proposed Series 2021 Bonds as well as the authorized amounts that would remain after the sale.

Table 1: General Obligation Bonds – Authorizations Currently in Use

Purpose	Authorization Year	Available Authorization	Proposed Sale Series 2021	Remaining Authorization
Streets	2013	\$ 9,985,000	\$ 9,985,000	\$ 0
Streets	2020	\$ 100,000,000	\$ 1,050,000	\$ 98,950,000
Library	2018	\$ 18,670,000	\$ 2,010,000	\$ 16,660,000
Parks and Culture	2018	\$ 80,160,000	\$ 2,010,000	\$ 78,150,000
Public Safety	2018	\$ 66,735,000	\$ 5,015,000	\$ 61,720,000
<i>Total</i>		\$ 275,550,000	\$ 20,070,000	\$ 255,480,000

Attachment A – Remaining Bond Authorization Summary by Election provides estimated remaining G.O. bond authorization amounts (after the proposed Series 2021 Bonds issuance) by purpose and year of voter authorization including older authorizations that are not currently in use.

Discussion

Projects

Attachment B – Project List lists the projects that are planned to be financed by the proceeds of the Series 2021 Bonds. The amount included in the sale is anticipated to fund project spending through December 31, 2021.

Financing Timeframe

The City typically issues voter-authorized G.O. bonds annually in amounts sufficient to fund project spending in the calendar year of the issuance. New proceeds are intended to reimburse the City's project spending up to that point in the calendar year (IRS rules¹ allow for use of bond proceeds to reimburse project spending for at least 18 months after the spending occurs) and to fund project spending through the remainder of the calendar year. This approach minimizes interest costs while maintaining flexibility in the timing of future bond issues.

The City is scheduled to price the Series 2021 Bonds the week of May 3 and close the transaction (receive the proceeds) May 27.

Secondary Property Tax

Secondary property tax is limited in use to the repayment of G.O. debt. The City's practice is to adjust the secondary property tax levy in the year following a successful G.O. bond election sufficient to fund all the authorized bonds once they are issued.

Structure

The proposed Series 2021 Bonds have a final maturity of 20 years. A schedule of existing debt service as well as estimated debt service from the Series 2021 Bonds can be found in the Estimated Debt Service Requirements table on page 13 of the attached Preliminary Official Statement (POS).

Debt service on the Series 2021 Bonds includes a relatively large amount of principal in FY 2021/22 to utilize anticipated fund balance. This is because: (1) the FY 2021/22 secondary property tax levy is sufficient to fund the G.O. bonds authorized by voters in 2018 and 2020 that are still yet to be issued in future years, and (2) the City uses

¹ [Code of Federal Regulations 26-1.150.2](#)

conservative planning assumptions for interest rates on debt, property tax collection rates, fee revenues, etc. These two factors allow for the significant payment of principal in FY 2021/22.

Alternatives

The Council may choose not to proceed with the sale of the proposed Series 2021 Bonds at this time. The City could cancel new bond-funded projects still in the planning stage or utilize reserves to pay for a portion of projects already in progress. These alternatives are not recommended as they would reduce City reserves or prevent completion of capital projects that are in various stages of planning and construction.

Fiscal Impact

Debt service from the Series 2021 Bonds is funded by secondary property tax revenue and has no direct impact on other City funds. However, there may be operational costs or savings associated with the capital projects that may affect other City funds, including the General Fund.

Coordination

The following City departments and contracted firms coordinated on the proposed Series 2021 Bonds issuance:

- City Attorney
- City Manager
- Engineering
- Finance
- Fire and Medical
- Innovation and Technology
- Library
- Management and Budget
- Parks, Recreation, and Community Facilities
- Police
- Transportation
- Hilltop Securities (Financial Advisor)
- Sherman & Howard, LLC (Bond Counsel)