MUNICIPAL DEVELOPMENT AUTHORITY
COMMITTEE MEETING
City of Peoria, Ironwood Conference Room
October 29, 2007

A Regular Meeting of the Municipal Development Authority of the City of Peoria, Arizona, was convened at 8401 West Monroe Street in open and public session at 5:30 p.m.

Members present:
Steve Poe, Jim Cutler, Ron Procunier, Michael Cassidy,

Members Absent:
Jim Torres

Municipal Officials Present:
Brent Mattingly, Chief Financial Officer; Kent Meredith, Financial Services; Debbie Card, Treasury Manager.

Others Present:
Tom Hocking, Financial Advisor; Michael Cafiso, Bond Counsel

REGULAR AGENDA

The meeting was called to order at 5:40 p.m. by Steve Poe, Board President.

CONSENT AGENDA:

Board proceeded with the approval of consent items; the disposition of absences for Board Members Jim Torres and Ron Procunier from the meeting held on December 4, 2006 and the minutes of the meeting on December 4, 2006. Jim Cutler motioned to approve the consent items and it was seconded by Michael Cassidy. There was no further discussion, and the consent items were approved by a unanimous vote.

NEW BUSINESS:

The meeting was called to approve the annual Arizona Corporation Commission Report and discuss the upcoming proposed Transportation Sales Tax financing. Debbie Card provided an overview of the annual report and balance sheet information and then asked Board members if they had any questions regarding the information presented. President Steve Poe inquired as to how much of the cash listed on the balance sheet was from the Community Theater project. Ms. Card indicated that approximately $109,000 remained in the bond proceeds account and staff was currently working to apply any remaining project expenditures to those funds and close out the account. Being no further discussion, Board President Steve Poe asked for a motion to approve the annual report. Michael Cassidy motioned to approve the annual report and it was seconded by Jim Cutler. The report was approved by a unanimous vote.

Brent Mattingly, Chief Financial Officer, addressed the group and provided a brief recap of the Community Theater financing completed by the Board in 2006 and gave an overview of the City's Transportation Sales Tax. He stated the 3/10¢ sales tax became effective on January 1, 2006 with revenues collected last year in the approximate amount of $9.7 million. The City's current Capital Improvement Program includes $27 million in bond funding to finance the Happy Valley Road Project with a planned bond issuance after January 2008. Included in the annual expenditures to be paid by the Transportation Sales Tax revenues are approximately $3 – 4 million to fund "pay as you go" capital projects, as well as $1.6 million for transit operations, $1 million for street maintenance and $500,000 for administrative costs.

Mr. Mattingly explained there were two projects to be bond funded with pledged revenues from the Transportation Sales Tax; Happy Valley Road – 75th Avenue to Lake Pleasant Parkway and 83rd Avenue road widening from Deer Valley to Happy Valley Road. He provided a brief overview of each project and indicated that these two projects combined would be funded through approximately $35 million in Municipal Development Authority bonds. Mr. Mattingly also reviewed a revenue forecast and debt capacity analysis for the Transportation Sales Tax and indicated that there could be additional revenues available after meeting all commitments to potentially fund more debt or use the cash to pay for additional projects in the future. Michael Cassidy referred to the 4% rate of growth used in the analysis and inquired as to how staff arrived at that rate. Mr. Mattingly explained that staff reviews the City's revenues very closely in the forecast process. Staff also considers new and planned businesses coming into the City, as well as reviewing available economic data, to conduct an in-depth analysis. With all of that information taken into consideration, the 4% growth rate for the forecast is accurate.

Mr. Cafiso, the City's outside bond counsel, discussed the previous MDA financing of the Community Theater and explained in that particular financing, there was property for the Municipal Development Authority to lease to the City in the form of a ground lease for the Municipal Building. The MDA leased the property to the City and the City made lease payments to the MDA with a pledge of excise tax to pay the debt service. With the proposed Transportation Sales Tax financing, two things are different: 1) streets, as a public asset, are hard to lease as there are right-of-way and public access issues; 2) generally there is a pledge of excise tax, but in this case there is a pledge of a specific tax revenue. In the proposed financing, an installment purchase/sale agreement will be used to make installment payments equal to the debt service rather than utilizing a lease purchase agreement. A trustee will do the notice of sale for the bonds and qualified buyers will purchase the bonds. The bond proceeds will be held by the trustee to pay the cost of the road projects.

Tom Hocking, the City's outside financial advisor provided an overview of the financing, discussing the source and use of funds and the proposed debt service schedule. The proposed financing would be in the amount of $35 million which includes the cost of issuance such as legal fees, marketing of the bonds, and bond insurance premium to buy a "AAA" rating. Mr. Hocking discussed debt coverage ratios and the fact that right now those coverage amounts are ten times the annual debt service amount. With more than sufficient debt service coverage, there is more flexibility to issue additional debt in the future and those options would be brought back to the board in the future. Mr. Hocking also provided a summary of the Municipal Development Authority's outstanding debt from the 1994, 2003 and 2006 issues and handed out a recap of the last financing competitively bid in 2006.

And finally, Mr. Mattingly discussed the steps necessary to move forward with the proposed financing and reviewed the proposed financing schedule with the group. Beginning in January 2008, draft documents and a Preliminary Official Statement would be distributed to the board members for review. In February, another board meeting will be held to approve a "Parameters Resolution" which will delegate certain powers to the Chief Financial Officer to sell the bonds and determine final rates on behalf of the municipal corporation. If necessary, another board meeting can be scheduled to review the legal documents prior to approving the resolution. A bond sale is tentatively planned for April 14, 2007.

After general discussion among the board members, staff was directed to move forward with the proposed bond sale and draft the necessary legal documents. Being no further discussion, the meeting adjourned at 6:41 p.m.

Steve Poe, President

Submitted by:

Deborah Card, Treasury Manager