

**CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION**

CC: _____
Amend No. _____

Date Prepared: June 14, 2010

Council Meeting Date: July 6, 2010

TO: Mayor and City Council
THROUGH: Susan Thorpe, Deputy City Manager *ST*
FROM: Brent D. Mattingly, CFO/Finance Director *BDM*
SUBJECT: Re-Allocation of Bonds to the Department of Commerce

RECOMMENDATION:

That the Council adopt Resolution No. 2010-____ releasing Peoria's allocation of Qualified Energy Conservation Bonds and Recovery Zone Economic Development Bonds to the State of Arizona Department of Commerce.

SUMMARY:

The American Recovery and Reinvestment Act of 2009 (ARRA) created Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds. It also extended the volume cap of Qualified Energy Conservation Bonds. The State of Arizona received its share of the national volume cap allocations, a portion of which were initially allocated among counties and cities through the Arizona Department of Commerce.

The Arizona Department of Commerce is responsible for administering these allocations and insuring that the State's full allocation is used for projects that promote Arizona's economy. As such, on January 11, 2010 they sent a letter requesting that any allocation that a city is not planning to use be re-allocated back to the State. The Department of Commerce is identifying potential projects that could be supported through combining unused allocations into a larger pool at the State level.

Peoria's allocation included \$1.74 million of Economic Development Bonds and approximately \$1.56 million of Qualified Energy Conservation Bonds. These caps provide a maximum ceiling amount of debt that Peoria could issue. It is important to recognize that these "allocations" merely represent the maximum amount of bonds that an entity can

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Consent Agenda
 Carry Over to Date: _____
 Approved
 Unfinished Business (Date heard previous: _____)
 New Business

ORD. # _____ RES. # _____
LCON# _____ LIC. # _____
Action Date: _____

potentially issue. They are not grants and do not provide a source of payment for the debt service on any bonds that are issued.

Staff has discussed the potential use of these bond allocations. Due to the relatively small size of our allocations, the costs to issue the bonds (such as fees for bond counsel, financial advisor, rating agencies, underwriter fees, and commissions, etc.) offset any potential advantage associated with the ARRA allocations. In addition, there are costs associated with verification and compliance reporting and audit costs.

Peoria also received an allocation of Economic Development Facility Bonds that allows for the potential issuance of up to \$2.61 million debt. Staff is currently working with two parties to explore the potential use of the city's allocation through the Peoria Industrial Development Board. As such, this allocation would not be re-allocated to the State at this time.

Staff recommends Council adoption of the attached Resolution directing staff to release Peoria's unused allocations of Qualified Energy Conservation Bonds and Recovery Zone Economic Development Bonds to the State of Arizona Department of Commerce. The State can then apply the larger allocations to projects that create jobs, foster economic development, and develop infrastructure.

Attachment: Resolution

RESOLUTION NO. 2010-57

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF PEORIA, ARIZONA WAIVING A \$1,740,000 UNUSED RECOVERY ZONE ECONOMIC DEVELOPMENT BOND ALLOCATION AND A \$1,561,152.14 UNUSED QUALIFIED ENERGY CONSERVATION BOND ALLOCATION FROM THE AMERICAN RECOVERY & REINVESTMENT ACT 2009 (ARRA).

WHEREAS, the City of Peoria received a \$1,740,000 bond allocation pursuant to the American Recovery & Reinvestment Act 2009 (ARRA) for Recovery Zone Economic Development Bonds; and

WHEREAS, the City of Peoria received a \$1,561,152.14 bond allocation pursuant to the American Recovery & Reinvestment Act 2009 (ARRA) for Qualified Energy Conservation Bonds; and

WHEREAS, the City of Peoria does not expect to issue any bonds under these two allocations by January 1, 2011; and

WHEREAS, the Arizona Department of Commerce submitted letters dated January 11, 2010 and January 29, 2010, requesting that any unused ARRA bond allocations be waived back to the State of Arizona; and

WHEREAS, waiving these two City of Peoria bond allocations will allow the State of Arizona to reallocate waived funds for other uses as deemed appropriate; and

WHEREAS, a resolution waiving the City of Peoria bond allocations of \$1,740,000 and \$1,561,152.14 is due to the Arizona Department of Commerce immediately.

THEREFORE, BE IT RESOLVED that the Mayor and City Council of the City of Peoria, Arizona approves and adopts this Resolution to waive these two unused bond allocations back to the State of Arizona.

Resolution No. 2010-57
Waiving ARRA Bond Allocations to the State of Arizona
July 6, 2010
Page 2 of 2

PASSED AND ADOPTED by the Mayor and City Council of the City of Peoria,
Arizona this 6th day of July, 2010.

CITY OF PEORIA, an Arizona municipal
corporation

Bob Barrett, Mayor

ATTEST:

Mary Jo Waddell, City Clerk

APPROVED AS TO FORM:

Stephen M. Kemp, City Attorney