

CITY OF PRESCOTT
MUNICIPAL PROPERTY
CORPORATION
BOARD OF DIRECTORS
THURSDAY, OCTOBER 20, 2016
PRESCOTT, ARIZONA

MINUTES OF THE ANNUAL MEETING OF THE MUNICIPAL PROPERTY CORPORATION BOARD OF DIRECTORS HELD ON OCTOBER 20, 2016, IN THE CITY COUNCIL CONFERENCE ROOM LOCATED AT CITY HALL, 201 SOUTH CORTEZ STREET, PRESCOTT, ARIZONA.

A. Call to Order

The meeting was called to order at 2:00 p.m.

B. Roll Call

Quorum Present:

Victor Pereboom, Vice-President
Bob Roecker, Member
Kevin Lane, Member
Ken Foote, Member

Mark Woodfill, Secretary and Treasurer

Absent:

Steve Burton, President

Staff Present:

Dana DeLong, City of Prescott City Clerk

C. **Approval of Minutes of the City of Prescott Municipal Property Corporation meeting held October 15, 2015.**

MEMBER LANE MOVED TO APPROVE THE MINUTES OF THE OCTOBER 15, 2015, MUNICIPAL PROPERTY CORPORATION MEETING; SECONDED BY MEMBER FOOTE; PASSED UNANIMOUSLY.

D. **Review of Annual Financial Reports**

Finance Director Mark Woodfill reviewed the annual financial statement. There is a balance sheet and an income statement for financial reporting and auditing that is rolled into the city's Comprehensive Annual Financial Report. It holds the

title of the properties that the city pays rent on and the amount of the city's indebtedness of the bonds. It includes the current rent due for next year's debt payment and the total over time.

Outstanding Current Bonds:

Fleet Maintenance Facility

The fleet maintenance bond issued in 2007 was for extension of the transfer station and building of the garage on Virginia Street which is the fleet maintenance facility. All bonds are non-callable for ten years and will become callable thereafter. In a year, this bond will be callable. We could refund it at that time. Because the size of the bond, it is not in a great spot for refunding unless we are doing a new money issue at \$4.3 million. Council is looking at the FY17 budget process to pay off this bond because the fleet maintenance facility is currently running at a deficit. Debt payments are being paid out of the reserves. It is a 3.34 percent interest rate that is significant for city debt issues. He does not see this bond coming back as a refunding.

89A and Granite Dells Parkway

This was an \$18 million bond issue in 2010. At that time, the bond insurance market was collapsing and the bond industry had issues with being able to issue debt. The Federal government instituted the Build America Bonds program. This bond was part of the program and has a subsidized interest rate. As issued, it had a 3.6 percent interest rate.

Williamson Valley Road issued in 2011

Parts of it have been paid off. The remaining debt is for the road is at 4.18 percent and will be refundable in 2021. There is nothing that can be done about the interest rate because that is where the interest rates were at that time.

Big Chino Water Ranch

A refunding was done in 2014. This bond is still outstanding. It was structured with a premium for the life of the bond and the structure of the bond called for no principle and will be paid for the first 40 years. It was advantageous to maximize the savings on the debt issue and had significant savings. It did not get rolled out any further. At that time, it was a 30 year bond. The city has issued over \$70 million in WIFA (Water Infrastructure Finance Authority) debt over the last five years.

Board Member Question

Is this WIFA rated? Mr. Woodfill said no, it mainly looks at infrastructure. WIFA used to be pretty simple and they keep adding additional hurdles because of the federal grant guidelines. The latest hurdle, with our current debt issue, is \$21 million for wastewater assembly. There has to be an environmental assessment done which seems to be causing the city engineers some trouble. This is the bond that is coming soon. We have already been approved by the WIFA board and a resolution has already been adopted to use WIFA. We are just waiting to finalize the loan information.

The 2010 issue

The sequestration at the federal government level has significant impact on local governments. Build America Bond Subsidies was set initially at 35 percent interest cost of the bond. Everything was rolling along just fine for the first three years and then it was sequestered. Automatic cuts were made to federal programs including this one. To date, the city has been shorted about \$92,000 on subsidies. That increases the cost of the debt issue to the Streets Fund. In the next eleven years, the city will be looking at an additional loss of \$125,000 for a total of \$218,000. This impacts the 3.6 percent interest rate. The sequester losses increased it by another 13-14 basis points. The city is still at a 3.8 percent depending on the future, in 2020, this bond can be considered for a refunding and will have to be reviewed at that time. The city's rating currently is AA.

Board Member Question

What does the insurance market look like today compared to the past? Mr. Woodfill said the insurance has stabilized and there is more insurance available now with increased prices. With an AA rating, it wouldn't make financial sense.

E. **Discussion of future Municipal Property Corporation issues**

There is \$100 million in pension liability and it has been booked. There are assets in the trust to cover current expenses. The Arizona State Retirement System (ASRS) is 80% funded, but it is a huge program. The Public Safety Retirement Personnel System (PSPRS) debt issue didn't impact the city's AA rating.

Board Member Question

How will the new civil servants coming into the picture handle the PSPRS?

Mr. Woodfill said it will be handled differently starting July 1, 2017 due to new legislation. The new tier costs are split evenly between the employees and the employers. There are 256 individual trusts in PSPRS citywide. The new tier added should be pooled statewide so the cost across the state will be the same to avoid hiring issues. The League of Arizona Cities and Towns has been pushing for the new tier.

What are the legislators saying? Mr. Woodfill said we may end up pooled, not including Tucson and Phoenix. Pension reform is a multi-year give and take movement. This is a sixty year problem that can't be fixed in one day. It needs to be continually fine-tuned.

Does the League support smaller cities and towns? Mr. Woodfill said the League has always done a good job representing the smaller cities and towns.

Who does the Legislators listen to? Mr. Woodfill said the League has a lot of advisors to work on issues. They also work with the police and fire unions. The League's approach to legislation is bringing a yard stick, not as a proposal, brought forward to be used as a measuring mechanism. It helped but it could be complicated. Mr. Woodfill said he works with Council and the City Manager on this issue. Tyler Goodman, in the City Manager's Office, and City Manager Lamar will work with the lobbyists to make sure issues are being covered.

F. Election of Officers

MEMBER ROECKER MOVED TO ELECT MEMBER PEREBOOM AS PRESIDENT, MEMBER FOOTE AS VICE-PRESIDENT, AND MARK WOODFILL AS SECRETARY/ TREASURER OF THE MUNICIPAL PROPERTY CORPORATION; SECONDED BY MEMBER LANE; PASSED UNANIMOUSLY.

G. Adjournment

There being no further business to be discussed, the meeting adjourned at 2:40 p.m.



VICTOR PEREBOOM, President

ATTEST:



CITY CLERK

