

City of Prescott
Municipal Property Corporation Board



August 19, 2024 | 11:00 AM
201 N. Montezuma Street
Finance Conference Room, 2nd Floor
Prescott, AZ 86301

AGENDA

The following Agenda will be considered by the **Municipal Property Corporation Board** at their meeting to be held **August 19, 2024**. Notice of this meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02.

1. CALL TO ORDER

2. ROLL CALL

3. DISCUSSION & ACTION ITEMS

A. Approval of Minutes from the October 4, 2023 Meeting of the Municipal Property Corporation Board.

Recommended Action: MOVE to approve the meeting minutes as presented

B. Discussion & Presentation Regarding the Refunding of the Municipal Property Corporation (MPC) Board 2014 Bond Issue.

Recommended Action: This item is for discussion only. No formal action will be taken.

C. Discussion & Presentation Regarding the Future of the Municipal Property Corporation Board.

Recommended Action: This item is for discussion only. No formal action will be taken.

4. ADJOURNMENT

Upon a public majority vote of a quorum of the Board, the Board may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- (1) Discussion or consideration of personnel matters (A.R.S. §38-431.03(A)(1));
- (2) Discussion or consideration of records exempt by law (A.R.S. §38-431.03(A)(2));
- (3) Discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03(A)(3));
- (4) Discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid litigation (A.R.S. § 38-431.03(A)(4));
- (5) Discussion or consultation with designated representatives of the city to consider its

position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03(A)(5));

(6) Discussion, consultation or consideration for negotiations by the city or its designated representatives with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city (A.R.S. §38-431.03(A)(6));

(7) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03(A)(7)).

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on 8/15/24 at 8:30 a.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.



Sarah M. Siep, City Clerk



TO: MAYOR AND CITY COUNCIL
AGENDA: August 19 Municipal Property Corporation Board Meeting
DATE: August 19, 2024
DEPT: Finance
ITEM #: 3.A
SUBJECT: Approval of Minutes from the October 4, 2023 Meeting of the Municipal Property Corporation Board.

ITEM SUMMARY

This item is for the approval of meeting minutes from the October 4, 2023 Annual Meeting.

BACKGROUND

None

FINANCIAL IMPACT

None

RECOMMENDED ACTION

MOVE to approve the meeting minutes as presented

ATTACHMENTS

1. October 4, 2023 MPC Minutes

City of Prescott

Municipal Property Corporation Board



October 4, 2023 | 9:00 AM
201 N. Montezuma Street
Executive Conference Room, 3rd Floor
Prescott, AZ 86301

MINUTES

1. CALL TO ORDER

Finance Director Mark Woodfill called the meeting to order at 9:02 a.m.

2. ROLL CALL

Steve Burton - President (Absent)
Victor Pereboom - Vice President
Ken Foote - Member (Attended Virtually)
Kevin Lane - Member (Absent)
Bob Roecker - Member

3. DISCUSSION & ACTION ITEMS

A. Approval of Minutes from the October 19, 2022 Meeting of the Municipal Property Corporation Board.

MOTION BY MEMBER ROECKER TO APPROVE THE MINUTES AS PRESENTED; SECONDED BY VICE PRESIDENT PEREBOOM: PASSED (3 - 0)

B. Election of Officers: President, Vice President, Secretary/Treasurer for The Coming Year.

MOTION BY VICE PRESIDENT PEREBOOM TO MAINTAIN OFFICERS AS THEY ARE; SECONDED BY MEMBER ROECKER: PASSED (3 - 0)

C. Discussion & Presentation for a Review of Fiscal Year 2023 Financials.

Mr. Woodfill stated that there is one bond outstanding for the Chino Water Ranch with a rate of 3.85%, issued in 2014. Callable after 10 years, which will be July 1, 2024 and will depend on the status of interest rates at that time. Will remain callable at that point, Council's desire for water ranch will determine whether or not the bond is paid off. Taxable issue would be re-issued or paid off with cash if available with water fund. This body will continue as is until callability, and cannot advance refund anything until May or June.

Member Roecker asked if it would be best to wait for the Council to decide.

Mr. Woodfill stated that they would have to, staff is getting ready to look at a rate study which would impact this as well. He will keep them posted on how that proceeds.

Member Foote asked if this is the last obligation for the MPC.

Mr. Woodfill confirmed and the Board would be completed at that time. If the

Council determines not to pay it off, the Board will continue as they have been.

This item was for discussion only, no formal action was taken.

4. ADJOURNMENT

There being no further business to discuss, Mr. Woodfill adjourned the meeting at 9:09 a.m.

STEVE BURTON, President

ATTEST:

Staff Liaison



TO: MAYOR AND CITY COUNCIL
AGENDA: August 19 Municipal Property Corporation Board Meeting
DATE: August 19, 2024
DEPT: Finance
ITEM #: 3.B
SUBJECT: Discussion & Presentation Regarding the Refunding of the Municipal Property Corporation (MPC) Board 2014 Bond Issue.

ITEM SUMMARY

The MPC 2014 Bond is eligible to be refunded.

BACKGROUND

The MPC 2014 Bond refunded the MPC 2004 bond. The original issue was used to finance the City of Prescott's share of the Big Chino Water Ranch purchase.

This refunding is estimated to save \$483,772 over the remaining 10-year life of the bond. Actual savings will not be known until the bonds are sold, which is anticipated to be September 24th. This refunding will be done with a direct City of Prescott obligation, the same as was done in 2019 when the MPC 2010 and 2011 bonds were refunded.

This item will be going to City Council on September 10th.

FINANCIAL IMPACT

The estimated savings to the City's Water Enterprise fund is estimated at \$483,772.

RECOMMENDED ACTION

This item is for discussion only. No formal action will be taken.

ATTACHMENTS

1. Presentation

City of Prescott Excise Tax

Municipal Property Corporation Series 2014 Refunding & Market Update

August 13, 2024



Capital
Markets

Refunding of MPC's Series 2014 Bonds

- Historically, the City of Prescott's Municipal Property Corporation (the "MPC") served an important role in assisting the City in financing various capital projects of the City
- In more recent years, the City has been able to directly finance projects that had previously been undertaken by the MPC
 - Direct financings by the City provide a more cost effective approach than using the MPC for debt issuance
- At this time, the only remaining financing issued by the MPC are the Series 2014 Revenue Refunding Bonds
 - These Bonds were issued in 2014 to refund prior bonds issued by the MPC to achieve debt service savings for the MPC and the City
- The Series 2014 Refunding Bonds were issued with a bond call date of July 1, 2024 and therefore are now eligible under federal tax law to be refinanced through the issuance of new refunding bonds
 - \$6.21 million of the Series 2014 Refunding Bonds remain outstanding
- To refund, or refinance, the MPC's Series 2014 Refunding Bonds, the City will be directly issuing new Series 2024 Refunding Obligations in the estimated principal amount of \$5.91 million
 - The proceeds of the 2024 Refunding Obligations issued by the City will be used to pay off the Series 2014 Revenue Refunding Bonds of the MPC
 - The debt service savings to the City of refinancing the Series 2014 Revenue Refunding Bonds, net of all costs of issuing such Obligations, is estimated based on current interest rates to amount to \$471,992 over the life of the financing (\$407,534 in present value or current dollars)
 - The estimated savings as a percent of the debt being refinanced is 6.56%, which is a fairly high relative savings level
- Following the refinancing of the MPC's Series 2014 Revenue Refunding Bonds, and the pay off of all such Series 2014 Bonds, the MPC will have no remaining debt issuances outstanding
 - This is expected to occur by approximately October 9, 2024
 - **At that point, the MPC can be eliminated and Board members relieved of their duties**

Municipal Property Corporation Series 2014 Refunding

Under current market conditions the City could achieve \$484k of gross savings (\$412k / 6.72% on a net present value basis).

Summary of Outstanding Series 2014 Bonds

Refunded Bonds Summary	
Par Refunded	6,210,000
Call Date	07/01/2024
Average Life	5.63 Years
Average Remaining Coupon	4.96%

Summary of Refunding Results

Refunding Bonds Summary	
Refunding Par	5,905,000
Delivery Date	10/09/2024
Average Life	5.57 Years
True Interest Cost	3.29%
PV of 1 Basis Point	3,145
Gross Savings	483,772
NPV Savings (\$)	417,191
NPV Savings (%)	6.72%

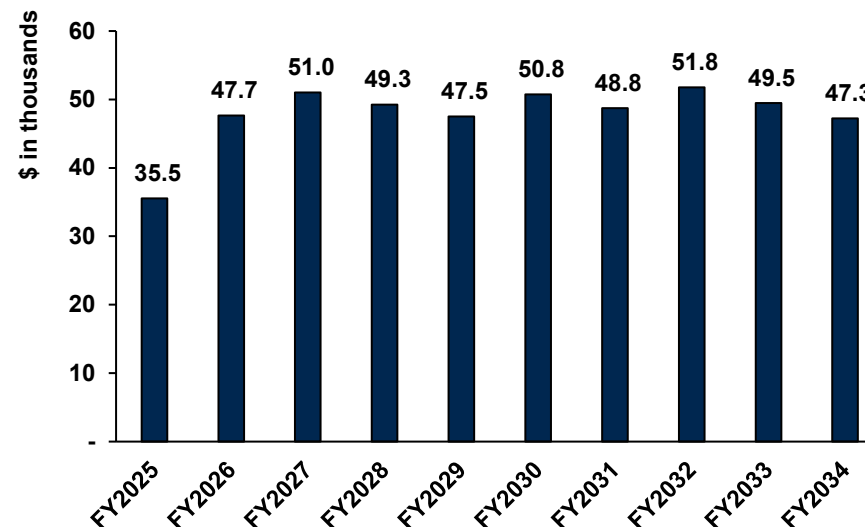
Sensitivity Analysis

	-10 bps	Current Rates	+10 bps
Refunding Par	5,875,000	5,905,000	5,930,000
Arbitrage Yield	2.91%	3.01%	3.11%
All-In-TIC	3.57%	3.67%	3.77%
Gross Savings	517,765	483,772	446,763
NPV Savings (\$)	451,211	417,191	383,524
NPV Savings (%)	7.27%	6.72%	6.18%

Debt Service Savings by Fiscal Year

Fiscal Year	Refunded Debt Service	Refunding Debt Service	Gross Savings	NPV Savings
2025	800,400	764,876	35,524	36,971
2026	790,400	742,750	47,650	45,344
2027	805,000	754,000	51,000	47,122
2028	802,750	753,500	49,250	44,158
2029	804,250	756,750	47,500	41,328
2030	804,250	753,500	50,750	42,840
2031	802,750	754,000	48,750	39,931
2032	804,250	753,000	51,750	41,127
2033	810,000	760,500	49,500	38,170
2034	803,250	756,000	47,250	35,352

Gross Savings by Fiscal Year

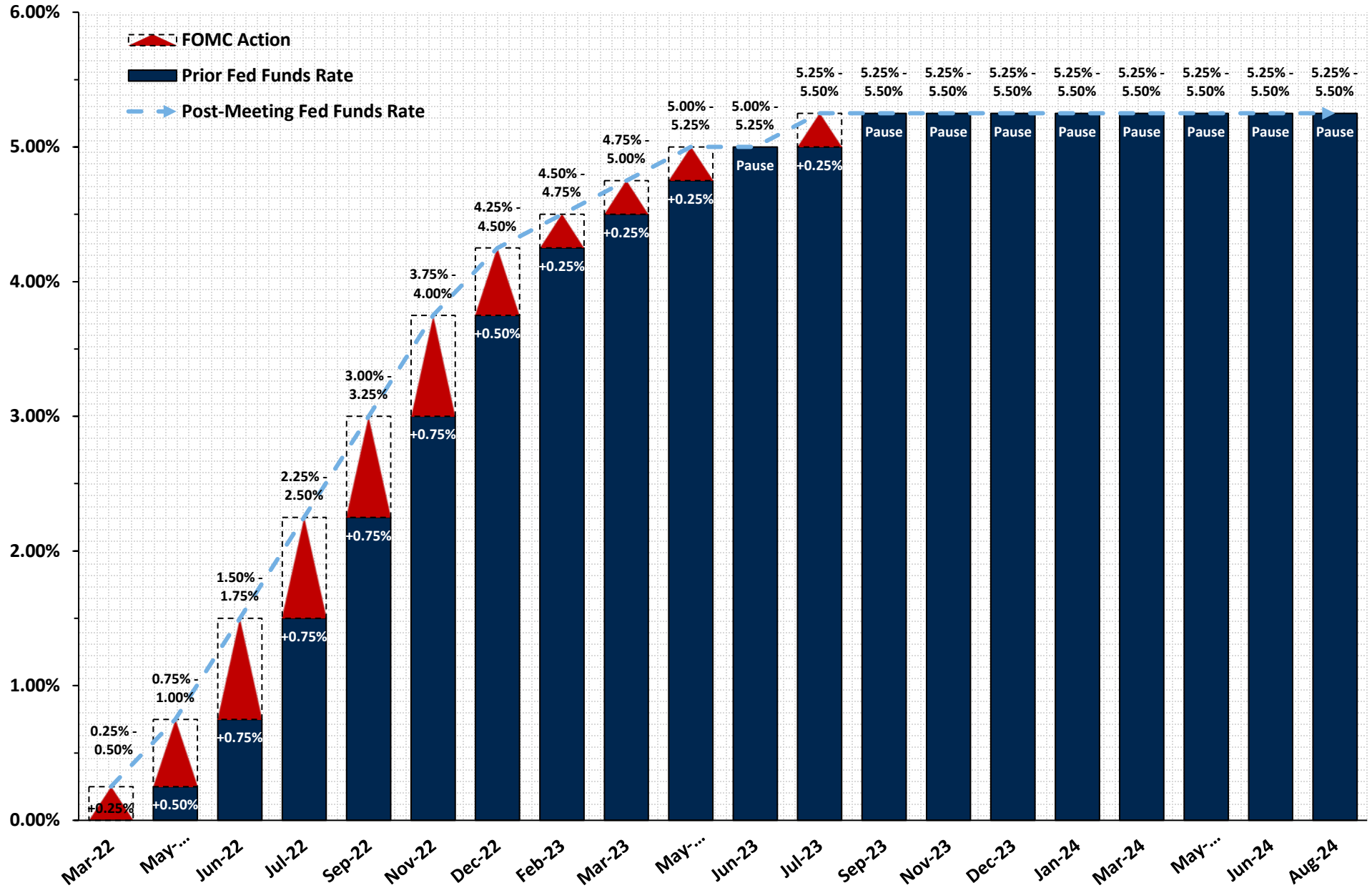


The current rate environment allows the City to achieve additional Net Present Value savings by placing the refunding proceeds in an escrow account for 90 days (the maximum for a current refunding) before redeeming the bonds).

Rates as of August 12, 2024. Subject to change. Savings may not add due to rounding.

Federal Open Market Committee Meeting Results and Fed Funds Rate since March 2022

After record rate increases, the Federal Reserve is poised to begin rate reductions as early as its September meeting



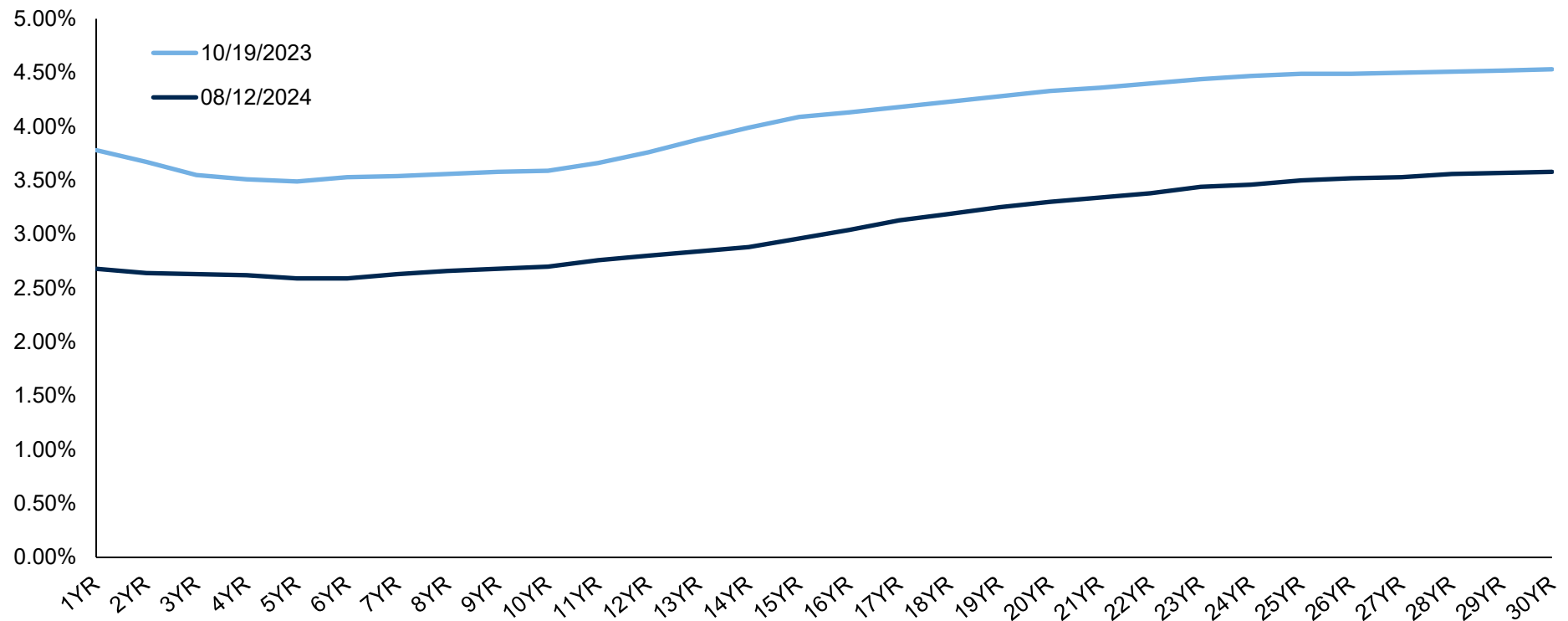
MMD Rate Movement Since October 2023

MMD Rates have declined sharply since October 2023 due to encouraging inflation trends and the expectation of near-term Fed rate cuts, positioning the City well for moving forward with its refunding issue

MMD Rate Movement (%) Since October 19, 2023

Date	1-Yr	2-yr	3-yr	5-yr	7-yr	10-yr	30-yr
10/19/2023	3.78	3.67	3.55	3.49	3.54	3.59	4.53
08/12/2024	2.68	2.64	2.63	2.59	2.63	2.70	3.58
Change in MMD Yields	-1.10	-1.03	-0.92	-0.90	-0.91	-0.89	-0.95

MMD Rate Curve | October 19, 2023 vs. August 12, 2024



Source: Bloomberg, latest data for week ending August 9, 2024

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TO: MAYOR AND CITY COUNCIL
 AGENDA: August 19 Municipal Property Corporation Board Meeting
 DATE: August 19, 2024
 DEPT: Finance
 ITEM #: 3.C
 SUBJECT: Discussion & Presentation Regarding the Future of the Municipal Property Corporation Board.

ITEM SUMMARY

With the refunding of the MPC 2014 bond, there are no more outstanding debts of the City of Prescott Municipal Property Corporation.

BACKGROUND

The City of Prescott Municipal Property Corporation (MPC) was established in 1972 with the principal objective of assisting the City of Prescott in acquiring and constructing assets through issuance of debt. This was a common practice which was used by several cities across Arizona.

With changes in the debt market, the City is now able to issue debt without using the MPC.

The MPC has issued \$107,245,000 in bonds over its life for many important projects.

Year	Reference	Issue Amount	Description
FY 1973	9/27/1972		Organizational Meeting
FY 1973	8/1/1973	\$ 290,000	Airport Facilities & Golf Clubhouse Addition
FY 1977	1/20/1977	210,000	Airport Improvements
FY 1979	8/14/1978	420,000	Airport Improvements
FY 1980	MPC 1980	2,250,000	WWTP and Sewer Line Replacement
FY 1981	MPC 1981	1,450,000	WWTP and Imp to CV Booster Station
FY 1981	MPC	600,000	Short term for deficit while awaiting EPA Reim
FY 1985	MPC 1985A	3,780,000	Refunded MPC 80 and 81
FY 1985	MPC 1985B	1,230,000	Refunded GO 84A
FY 1986	MPC 1986C	2,470,000	Self Insurance Bond
FY 1989	MPC 1989A	7,685,000	WWTP and Other W&S Imp (Mun Fin Pool)
FY 1989	MPC 1989B	2,000,000	WWTP and Other W&S Imp
FY 1990	MPC 1990C	7,765,000	W&S Imp and South Golf Course Construction
FY 1993	MPC 1993D	3,280,000	Refunded MPC 85A and 85B
FY 1994	MPC 1993E	7,995,000	Refunded Portion of MPC 89B and 90C
FY 1999	MPC 1998F	6,160,000	W&S Improvements
FY 2005	MPC 2004G	16,875,000	Big Chino Ranch Project and Refunded MPC 93E
FY 2007	MPC 2007	6,625,000	New Fleet Maintenance Facility and Expand Transfer Station
FY 2010	MPC 2010	18,250,000	State Route 89A/Granite Dells Pkw Interchange BAB
FY 2011	MPC 2011	8,910,000	Williamson Vly Rd (\$8,415,000) and Golf Carts
FY 2014	MPC 2014	9,000,000	Refund Big Chino Ranch Project

FINANCIAL IMPACT

None.

RECOMMENDED ACTION

This item is for discussion only. No formal action will be taken.

ATTACHMENTS

None