MINUTES OF THE
MUNICIPAL PROPERTY CORPORATION MEETING
CONFERENCE ROOM 2-A
November 6, 2012
3:00 p.m.

Item 1 – Call to Order
At 3:00 p.m. the Municipal Property Corporation (MPC) board of director's meeting was called to order by Leland Peterson, President of the MPC. There was a quorum with the following additional board members present: Art Dobbelaere, Roger Schwierjohn, Ron Cantrell, and Donald Knafels.

Also present were Bill DeHaan, Bond Counsel, Greenberg Traurig, LLP; Art Lynch, Financial Advisor, SRJ Government Consultants, LLC; Tye Burgess, Vice President of Public Finance, Wells Fargo Securities; Sherry Schurhammer, Executive Director of Financial Services; Diane Goke, Chief Financial Officer; and Mary Willmon, Office Support Supervisor.

Item 2 – Distribute Loyalty Oath
Mr. Peterson distributed the single-paged "City of Glendale Boards and Commissions Loyalty Oath" to all the members. Oaths were signed and returned for filing with the City Council office. Mr. Peterson, Dr. Dobbelaere, and Mr. Cantrell took the Oath of Office.

Item 3 – Approval of Minutes of December 8, 2011
It was moved by Mr. Schwierjohn, and seconded by Mr. Cantrell, to approve the minutes of December 8, 2011. Motion carried unanimously.

Item 4 – Election of Officers
Mr. Peterson stated that the election of officers will go a little differently this year and he turned it over to Ms. Goke.

Ms. Goke explained the city has a Government Services Committee that meets on a regular basis to discuss boards and commissions. The recommendation was that Mr. Peterson would continue as Chair for the next year and all others, as long as you are willing to serve, would be recommended for membership on the board for another year. All members confirmed they were contacted and consented to remain.

Ms. Goke stated there is no need to act on this today; the action will take place next week when the Mayor issues the Oath of Office for reappointment at the Council meeting.

Mr. Peterson thanked the members for their willingness to serve again.

Item 5 – Financial Report
Mr. Peterson stated this is a good time to have an overall review; he was very pleased to have the information circulated in advance; and the main concern is how we will service these bonds. He also wanted a summary of receiving this information and a highlight of that content documented in the record.

Ms. Goke highlighted the information sent to board members on November 1, 2012.

- Fourth Quarter Report
  - General fund revenue declined by 12% from FY 11 and performed 2% under budget projections. The difference between FY 11 and 12 is due to a decline in state shared revenue and an anticipated decline in miscellaneous revenue from FY 11 that was bolstered by a one-time payment from the arena related to parking.
  - Total city sales tax is up 4% ahead of last year.
  - Sales tax hit bottom in 2010.
  - First quarter sales are up 5% from last year.
  - General fund estimated expenses for FY 12 were under budget by 13% and 5% under what they were at year-end in FY 11. The main variance is in the general fund expenditures in the Transfers category due to the budgeted arena payment pending pay-out.
  - Glendale's unemployment at the end of the year was 7.6%.
  - We had a lot of economic development activity
    - Tanger is having a soft opening within the next few days, with a grand opening on November 15th. This will bring in extra sales tax to the city.
    - Dignity Health is opening west of the 101 and between Glendale and Northern.
    - Honeywell signed another 8-year lease.
    - Alaska Federal Credit Union
    - WINCO
    - Eye care center
    - Retail occupancy is at 90%.
    - Big Lots is coming to 75th and Bell, occupying the last big box available in Glendale.
  - Total city sales tax revenue for the year is approximately $96 million, which is up 4 %.
  - Retail, restaurant and bar, and rental are big sales tax components.
  - Development services fees increased from last year, which means people are building again.
  - Implemented fire inspection fees last year.
  - State shared revenue went up a little and FY 14 will be even better.

- Bond Refinancing Update presented to Council on October 30, 2012
  - Existing excise tax debt
    - Municipal Property Corporation (MPC) is $273 million outstanding for Jobing.com Arena, public safety training facility, Zanjero, media center, and parking garage with current interest rates of 3 to 6.175%
    - Western Loop 101 Public Facilities Corporation (PFC) is $199 million outstanding for Camelback Ranch spring training facility with current interest rates of 5 to 7.5%
    - We are proposing to refinance all of the PFC debt and a portion of MPC debt totaling $250 to $260 million.
    - We would like to do away with the PFC and put all of this in the MPC for a couple reasons: to consolidate and issue it all at once; and because the

PFC has a board of one citizen and the rest are city employees. We wanted to make sure that the citizens (you) have a chance to make sure this is sound for the city – along with several other reasons.

- Expected interest rates are 2 to 5% depending on the maturity.
- We will not extend the final maturity of the bonds.
- Net present value savings is exceeding $28 million.
- Cash flow savings over the next five years is approximately $35 million, with extra built-in savings in FY 2017 and 2018.
- We are not issuing any new debt
- Rating agency presentation will be within the next couple weeks.
- Ordinance for Council consideration is scheduled for November 13th.
- Sell bonds: mid-December
- Final closing: late December

Mr. Peterson asked if there had been any preliminary discussions with rating agencies or have any issues come up. Ms. Goke responded that we had a quick update and discussion with Moody's about a month ago. S&P is coming out on Thursday to do a tour and we will meet with Moody's the week of Thanksgiving. Ms. Goke might go to San Francisco to meet with both of them the same day and then also have some people on a conference call.

Mr. Schwierjohn asked if we are looking to lower our costs from 115 to 135 basis points at a minimum.

Ms. Goke replied yes.

Mr. Burgess stated that with today's market, bond yields are so low that municipal bonds are usually issued as premium bonds. When you issue bonds with a premium the interest rates are higher, but the yields are lower. In the presentation when you say interest rates, Diane is showing you the actual interest, not the yield. The yield drops below the coupon interest rate when premium bonds are issued. The yield will range from 1% up to about 3.75% depending upon maturity.

In response to Mr. Peterson's question regarding insured or not insured, Mr. Lynch explained that the market doesn't have a lot of insurance providers and it is something to discuss with the underwriters. When we get ready to go into the market it will be evaluated. The deciding factor will be the cost of insurance versus the amount of basis points you actually get in reward for it.

Mr. Burgess stated the benefit is marginal. We will analyze it, not just by an issue, but by maturity, so we can weigh the cost of insurance versus the decrease in basis points.

Mr. Schwierjohn commented that it is standard practice when you issue bonds to determine if it is cost effective to do the insured versus uninsured. He is pleased that we are considering going to market now; the timing is good on a yield standpoint. It will save the city money.

Ms. Goke noted that we did front-load some of the savings; the payments get larger in the back-end. We are expecting some money from the Arizona Sports and Tourism Authority (AZSTA) to pay for the $67 million they have obligated to pay for Camelback Ranch. We do expect development out there to occur and a lot of that development will be in Glendale. That is why we could extend some of that debt into the outer years when we receive some of that money. AZSTA also refinanced their bonds, so we might receive payments as early as 2018.

Mr. Knafels asked what percentage of sales tax we get from Camelback Ranch.

Ms. Goke stated that we received $87,000 last year and believes it is 20%. It is year-round revenue.

One question that was raised to Mr. Peterson was: what is our personal accountability as individuals in the case that the city defaults; what is our accountability as a member of this group?

Mr. DeHaan explained that there are four protections available to the board. The first two are volunteer protection statutes in both federal and Arizona law that provide immunity to nonprofit board members from civil claims of negligence, if the board members acted in good faith and within the scope of their duties. The third was that the City covers the board members under its directors and officers' liability insurance. The fourth is that the bond documents themselves require the City to indemnify the board members from legal exposure as a result of their actions within the scope of their duties.

Mr. Peterson shared his appreciation and stated it was good to know, comforting for us, and indeed showing good diligence.

Mr. Schwierjohn voiced his gratitude and appreciation for receiving the year-end summary and also to Wells Fargo.

Item 6 – Refinancing/Refunding Municipal Property Corporation Bond Issues: Consideration of and possible action on a Resolution by the Board authorizing the issuance of Senior Lien Excise Tax Revenue Bonds to refinance its bonds, provide funds for costs of issuance, and approve other matters.

Mr. DeHaan led the members into approving the resolution. It is potentially approving the resolution authorizing issuance of the refunding bonds on a senior lien basis to refund bonds that you as a corporation have already issued. The documentation is very similar to that which his partner prepared for you last year, which resulted in the $8 or $9 million refunding bond issue. It is that type of transaction with a larger amount.

Mr. Peterson commented that the resolutions should be acted upon one at a time.

Mr. DeHaan described the second resolution. It is not something you have been asked to do before, but it is squarely within your mission. It is the city's debt service you are trying to lower.

The documentation is similar, with the only difference being that this particular bond issue is expected to be done on a second lien level rather than a third lien level.

Mr. Schwierjohn asked if the maximum term is 2042.

Mr. DeHaan stated that he changed it. The term in that resolution still had brackets and 2042. The revised version had the brackets taken off and shortens it to 2040. It also takes the interest down to 7%.

Dr. Dobbelaere questioned when they were originally sold, why they were sold as Public Facilities Corporation rather than this group.

Mr. Lynch stated that we were looking at not having the same lien, so they were subordinate subordinate. The market was very good at the time when we started things. Construction was strong and we were $70 million into the construction when the municipal market froze. The subordinate subordinate lien was strong so we went ahead and issued those with a 5-year call, with a clear statement that we would restructure and refinance in five years when we could see where the market and economy was going. Now we have that visibility and we can put it into what we call more permanent financing. PFC was the vehicle that was economical at that time to provide a lot of flexibility for the Mayor and Council to be able to look and analyze which was the best market we could get into.

Mr. Peterson asked for a motion.

It was moved by Mr. Schwierjohn to approve the resolution and seconded by Mr. Cantrell. Motion carried unanimously.

Item 7 – Refinancing/Refunding Western Loop 101 Public Facilities Corporation Bond Issue: Consideration of and possible action on a Resolution by the Board authorizing the issuance of Subordinate Excise Tax Revenue Bonds to refinance Western Loop 101 Public Facilities Corporation Bond Issue, provide funds for costs of issuance, and approve other matters.

Mr. DeHaan stated it would be the same wording, with the technical correction of taking the brackets out and the date.

Mr. Peterson asked for a motion.

Mr. Knafels motioned to approve the resolution and Dr. Dobbelaere seconded. Motion carried unanimously.

Item 8 – Update of Future Plans

Ms. Goke could not offer any future plans other than any refunding we have coming up in the next couple years. We did leave some options on the table; we are not refunding all of the MPC debt. We do not see any new debt in the near future.

Mr. Peterson asked about our future plans related to what he read – depending on how the votes go on the sales tax.

Ms. Schurhammer stated that there were four budget workshops with Council where we talked about scenarios. Scenarios depending on could we or could we not restructure debt; whether the sales tax remains in place; and the situation with Coyotes – whether they stay or go. Whether the Coyotes stay may somewhat depend on the outcome of the vote tomorrow. That is really what we are waiting for. The city attorney has given an opinion that even if the yes vote prevails, it still doesn't apply to the sales tax, but there are several political issues as to what Council will do. We are in a holding pattern for right now.

As far as the budget is concerned, departments did submit $20 million of budget reductions – that was on top of five years of budget reductions when we needed to cut the general fund by 25 percent. If the sales tax goes away, we will have to do significantly more.

There was some discussion about Ms. Goke, Ms. Schurhammer, and other staff members going out to educate the public as to what items might be cut.

Item 9 - Adjournment
It was moved by Mr. Schwierjohn and seconded by Mr. Cantrell to adjourn the meeting. There being no further business, the meeting was adjourned at 3:43 p.m.

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Mary Willmon

After meeting was adjourned, Mr. Peterson signed the resolutions.