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THE DAILY NEWSPAPER OF PUBLIC FINANCE

With Eyes on Low Rates, Mesa, Ariz., Preps \$100M Refunding

Wednesday, February 29, 2012

By [Richard Williamson](#)

DALLAS — Taking advantage of low interest rates in a recovering economy, Mesa, Ariz., will sell about \$100 million of refunding debt Thursday while retaining capacity for new-money deals.

The total refunding will be issued in three segments: \$29.7 million of general obligation bonds, \$33 million of utility system debt, and \$38 million of street and highway user bonds.

Bank of America Merrill Lynch is lead manager on all three deals, with Wedbush Morgan as financial advisor. Gust Rosenfeld serves as bond counsel, with Squire Sanders as underwriter's counsel.

The city is looking for net present-value savings of 7.5% to 10% by refunding debt that was issued in 2002 and 2003.

The GO bonds carry ratings of AA from Standard & Poor's and Aa2 from Moody's Investors Service. The utility bonds, maturing through 2021, are rated AA-minus by S&P and Aa2 by Moody's.

With a one-notch downgrade from Moody's to A2 from A1, the highway bonds carry split ratings from the two agencies. Standard & Poor's rated the bonds AA. The Moody's drop affects \$90 million of outstanding parity debt.

The street and highway bonds are secured by the city's highway user tax revenues, including motor fuel taxes and vehicle registration fees collected by Arizona and distributed to municipalities based on population and point of sale.

As the largest suburb of Phoenix, Mesa ranks as the third-largest city in Arizona behind Tucson with a population of 441,160. Covering 133 square miles in the East Valley, the city's tax base is valued at \$25.5 billion. After increasing at an average annual rate of 15.4% between 2004 and 2009, the city's full market value declined an average 11.9% in the subsequent three years, according to Moody's.

With an unemployment rate of 7.1%, Mesa fares better than the state, which has an 8.7% unemployment rate, slightly higher than the nation's 8.3%.

Mesa will benefit from a range of projects, such as the extension of the regional light rail from downtown Phoenix and expansion at Phoenix-Mesa Gateway Airport, according to Moody's analyst Dan Steed. In addition, there is ongoing science and technology work at the Air Force Research laboratory Mesa Research Site located next to the airport and the ASU Polytechnic Campus, Steed noted.

Earlier this month, Mesa issued \$22 million of bonds for expansion of the airport. That project coincides with the light-rail extension to Phoenix's Sky Harbor International Airport in neighboring Tempe.