

MINUTES

**BOARD OF DIRECTORS
SCOTTSDALE PRESERVE AUTHORITY**

**VIRTUAL MEETING
Tuesday, January 26, 2021 8:00 a.m.**

PRESENT: Kenneth Harder, Vice President
Judith Frost, Secretary
Dennis Robbins, Treasurer
Fredda Bisman, Director

ABSENT: James Jenkins, President

STAFF: Judy Doyle, Acting City Treasurer
Kim Campbell, City Attorney Senior
Deb Ramirez, Accountant II
Kroy Ekblaw, Executive Assistant Strategic Projects
Gina Kirklin, Enterprise Finance Director

GUESTS: William Davis, Piper Sandler & Co.
Zack Sakas, Sherman & Howard, L.L.C.

1. Call to order and roll call

Vice President Harder called the meeting to order at 8:10 a.m. A formal roll call confirmed Board Members present as noted.

2. Old Business:

- a. Request approval of minutes of January 28, 2020 Annual Board meeting.

SECRETARY FROST MOVED TO APPROVE THE ANNUAL BOARD MEETING MINUTES OF JANUARY 28, 2020 AS PRESENTED. DIRECTOR BISMAN SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). VICE PRESIDENT HARDER, SECRETARY FROST, TREASURER ROBBINS AND DIRECTOR BISMAN VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

- b. Review refunding opportunities

Gina Kirklin, Enterprise Finance Director, stated that there are currently no existing refunding opportunities with nothing callable for the remainder of the SPA debt services amortization. The last SPA bonds will be paid in full as of Fiscal Year 2022 with the final payment due July of 2022. There is \$2.6 million outstanding.

3. New Business

- a. Review the Audited Financial Statements including debt outstanding

Ms. Kirklin reported that the fiscal year 2019/20 audit found that the financial statements presented fairly in all material respects the financial position of the governmental activities. The auditor's report on internal control over financial reporting and on compliance on other matters did not identify any deficiencies in internal controls that were considered material weaknesses. No new SPA debt was issued in fiscal year 2019/20. The total bonds payable decreased from \$7.4 million to \$2.6 million or by \$4.8 million due scheduled debt service payments.

- b. Preserve acquisition update

No additional acquisitions are anticipated at this time. Any further land purchases would likely be funded through general obligation bonds rather than SPA bonds. SPA bonds are revenue pledge and the City is required to maintain a three times revenue coverage ratio over debt service. A GO bond, on the other hand, does not have this requirement and the City is able to use GO issuance at a lower cost.

Vice President Harder asked about the wording in the legislation regarding the collection of the sales tax, specifically whether it sunsets when bonds are paid in full or continue for some time. Ms. Kirklin said two tranches of sales tax were approved for the debt service. The first voter approved sales tax was in 1995 at 0.2 percent. This tax sunsets in June of 2025. The second voter approved sales tax is 0.15 percent, approved in 2004 and sunsetting in June of 2034.

Vice President Harder inquired as to what happens to the funds, i.e., whether they are set aside or restricted. Ms. Kirklin confirmed that they are restricted and set aside. There is current discussion in the City Treasurer's and City Manager's Office in terms of what to do with the balances. City Council will have opinions as well.

Vice President Harder asked whether the funds collected can be used for maintenance and operations. Ms. Kirklin stated that this is prohibited in the current legislation.

- c. SPA Board sunset options

Zack Sakas, Sherman & Howard, L.L.C., stated that final maturity of the existing SPA bonds is coming up in 2022. Upon payment in full of SPA bonds will be commencement of a winding down, including a final accounting of any assets or liabilities. He suggests that at next year's annual meeting, the Board take action to consider winding down after the final maturity is paid in July, 2022. At that point, City staff will have the remainder of the calendar year to do a final accounting and commence the winding down process. At the January, 2023 SPA Board meeting, there will either be an update from City staff that matters are still outstanding or the potential to commence dissolution of the SPA Board at that time.

Vice President Harder discussed that with the continued collection of sales tax revenues even after the bonds are extinguished and to the extent the funds are restricted, it is arguable that the assets still remain in the SPA. As such, perhaps they should not sunset. Ms. Kirklin stated that the purpose of the SPA Board is to issue debt, not to manage excise tax collected cash on hand.

Treasurer Robbins asked why GO bonds were not used initially and why SPA was determined to be nonviable compared to GO. Ms. Kirklin stated that at the time the first voter approved sales tax was put into place (0.2 percent) in 1995, the City had no general obligation authority. This is why the SPA Board was established. It was not until later that general obligation authority was approved by the voters, making the option available. When the voters approved general obligation authority, they approved \$500 million. To date, there is \$256 million unissued. In response to a question from Treasurer Robbins, Ms. Kirklin confirmed that the \$256 million is not affected by the passage of GO bonds, Projects of 2019 authority. If more general obligation bonds were to be issued, the sales tax dollars collected beyond the SPA debt would be the source of payment for the general obligation bonds.

d. City of Scottsdale General Obligation Refunding Bonds, Taxable Series 2020

Ms. Kirklin stated that on December 30th, the City closed on \$168.2 million of general obligation refunding bonds that primarily benefitted the preserve fund. The City started the refunding process in September and in October, City Council authorized a refunding strategy of up to \$190 million, if and when the savings to the taxpayers met or exceeded \$1 million and/or a net present value of 3 percent. The City was able to achieve a net present value saving of over \$13.2 million over 13 years. This represents a net present value of 7.9 percent.

e. Board Member Rotation Vote

Potential rotation:

Ken Harder, President
Judith Frost, Vice President
Dennis Robbins, Secretary
Fredda Bisman, Treasurer
James Jenkins, Director

DIRECTOR BISMAN MOVED TO APPROVE THE POTENTIAL BOARD MEMBER ROTATION. SECRETARY FROST SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). VICE PRESIDENT HARDER, SECRETARY FROST, TREASURER ROBBINS AND DIRECTOR BISMAN VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

4. Identification of Future Agenda Items

There were no items discussed.

5. Adjournment

SECRETARY ROBBINS MOVED TO ADJOURN THE MEETING. VICE PRESIDENT FROST SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). PRESIDENT HARDER, VICE PRESIDENT FROST, SECRETARY ROBBINS AND TREASURER BISMAN VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 8:25 a.m.

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Dennis Robbins, Secretary

Ken Harder, President