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PUBLIC FINANCE - ARIZONA

Price v. City of Mesa

Court of Appeals of Arizona, Division 1 - December 2, 2014 - P.3d - 2014 WL 6769877

In January 2014, the Mesa Mayor and City Council passed a resolution authorized the issuance of Transportation Project Advancement Notes (TPANS) to finance a light rail project. The resolution required Mesa to secure payment on the TPANS' interest and principal by a pledge of "Transportation Project Advance Revenues" (TPARS) and "excise taxes" as defined in A.R.S. sections 28-7691 through-7697. The resolution further noted that TPANS did not constitute "an obligation ... to levy or pledge any form of ad valorem property taxation nor will [they] constitute an indebtedness of the City ... within the meaning of the Constitution of the State of Arizona ... but shall instead be limited obligations payable solely out of the pledged sources of funds...."

A Mesa resident brought suit, contending that Mesa's proposed sale of notes required an election under Article 7, Section 13 of the Arizona Constitution.

Mesa countered that, because it did not assume "a general liability to repay the borrowing," the TPANS financing scheme was not subject to the indebtedness limit or the constitutional election requirement of Article 9, Section 8 and Article 7, Section 13 of the Arizona Constitution, respectively.

The Court of Appeals of Arizona held that Mesa was not required to obtain voter approval before issuing notes to finance the light rail project, as Mesa had not pledged its general funds.

Shout-out to my peeps at Gust Rosenfeld!