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Scottsdale Flexes Financial Strategy to Prepay, Redeem 2010 Bonds.

Scottsdale will be moving forward with a strategic plan to approve a redemption of 2010 municipal property corporation excise tax bonds that financed water and sewer improvements.

The redemption of the Series 2019 MPC bonds that mature in 2029 and 2030, with unrestricted water and sewer revenues, will avoid nearly \$375,000 in annual interest expense, according to a city staff report.

Scottsdale City Council approved the bond redemption on consent at a Sept. 8 meeting.

By redeeming \$8.7 million in outstanding Series 2010 MPC Bonds that mature in 2029 and 2030 with unrestricted water and sewer revenues, the water and sewer funds can avoid more than \$3.3 million in interest expense.

The city of Scottsdale Municipal Property Corporation is a nonprofit corporation created by the city in 1967 to finance the construction or acquisition of certain capital improvements.

The Municipal Property Corporation issues its own bonds, which are repaid from amounts paid by Scottsdale to the MPC. Arizona law precludes the use of property tax to repay these bonds, according to a city staff report.

The city's financial adviser — Minneapolis-based Piper Sandler & Co. — has been monitoring market trends and suggests this may be an optimal time to redeem a portion of the outstanding MPC bonds in order to lower debt financing costs to the city.

"Based on current market conditions (municipal borrowing and investing rates) and the call features of previously issued MPC bonds, portions of Series 2010 MPC bonds are candidates for redemption with unrestricted water and sewer revenues," according to a city staff report penned by Enterprise and Finance Director Gina Kirklin.

The Series 2010 MPC Bonds were issued for various water and sewer projects.

"Our financial strategy to proceed requires that market conditions upon a redemption of the bonds must produce minimum overall debt service savings to the taxpayer with a present value, net of all costs, of at least 3.00% of the principal amount of the bonds or \$1 million," Ms. Kirklin said. "It is estimated that the bond redemption will exceed minimum requirements."

According to the city staff report, Scottsdale's city treasurer's division reviewed the above redemption with its financial adviser, bond counsel — Denver-based Sherman & Howard — and the MPC board. All parties concur with the recommendation to proceed at this time, Ms. Kirklin said.

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