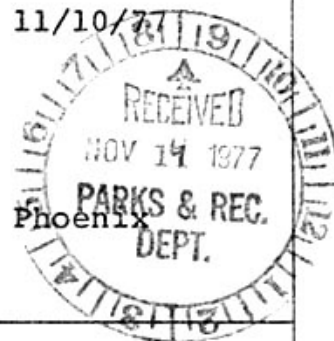




CITY OF PHOENIX

TO City Council

DATE 11/10/77

FROM Mayor Hance *mill*SUBJECT Recommended Financing Alternative for Phoenix
Mountains Land Acquisition Program

You have received a memo outlining two alternatives for refunding \$122 million of outstanding non-enterprise general obligation bonds. I am recommending that the City Council approve the second alternative which would reduce the City's contribution to the sinking fund by an estimated \$2,250,000 annually.

This alternative produces long-term savings of \$18 million and reduces the "base budget" by a total of \$9 million (\$2,250,000 annually) from 1978-79 through 1981-82. Obviously, such a savings cannot be refused.

I am also recommending that the City Council consider financing a major portion of Alternative No. 1 of the Phoenix Mountains Preserve acquisition program. You will recall that the amount of City cash needed under this alternative was \$10,038,917. This alternative retains the integrity of the preserve and its functional utility as an outdoor recreation area with adequate public access.

Under my proposal nearly all of Alternative No. 1 could be financed over a four-year period with the annual budget savings which accrue as a result of the refunding of the general obligation bonds. In essence, the \$2,250,000 base budget savings resulting from the bond refunding could be used to finance the capital land acquisition program. This would fulfill the City's commitment to complete the mountain preserve as originally scheduled. The small amount of necessary funding between the \$9 million and the \$10,038,917 could be provided through additional general funds over the four-year period, or other Federal funds which might become available such as Bureau of Outdoor Recreation monies. Any amount not needed for the preserve should go into major street construction or storm and sanitary sewer development.

My recommendation to consider this alternative is based on my judgment that the use of the savings accruing from bond refunding must go to other capital projects. Such a decision would be consistent with voter approval of the bonds which are intended solely for capital improvement projects. It is also sound fiscal management to invest the \$2,250,000 annual savings in capital improvements since the debt service payments will rise again to their present levels after the 1981-82 year. If the Council were to use this four-year one-time savings for other than capital purposes, it would only be committing a future City Council to absorbing a \$2.2 million operating debt in 1982-83.

There is an additional advantage to using these funds at this time rather than seeking a new bond issue to finance the preserve acquisition. A new bond issue of \$10 million would require interest payments in the neighborhood of \$5 million to \$6 million. Consequently, the purchase of the preserve with this one-time savings not only avoids committing a future Council to finance operating programs but avoids a \$5 million to \$6 million expenditure for debt service on a new bond issue.

In making this recommendation I have given serious consideration to the community attitude regarding completion of the preserve. I believe the Parks Board's public hearings have demonstrated significant majority support for the completion of the mountain open space program. As the Board's report indicates, a heavy majority attending the public hearings and submitting written responses favored the program. In addition, my personal observations during the recent mayoral campaign indicated heavy majority support for the program. Prior to final decision making on use of the funds produced by the refunding proposal, I will be soliciting additional community comment about this method of financing the acquisition program. However, at this point in time I believe the great majority of our community wants to see the preserve completed so that it will be a functional open space area and not a disjointed collection of open land without utility.

I will request Council discussion on this proposal at the November 14 Policy Session. The final decision will not have to be made at that time; however, we must give general direction to the staff on whether or not to pursue the refunding issue.

bks

cc: Mr. Andrews
Mr. Starrett
Mr. Kent
Mr. Christiansen
Mr. Howlett
Mr. Landry