MEMORANDUM

Date: October 6, 2015

To: The Honorable Ally Miller, Member
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Your October 5, 2015 Email Regarding the Bond Plan and Voter Authorized Eight Percent Interest Rate**

Pima County staff, Deputy County Administrator Tom Burke, and I have attended dozens of informational public meetings regarding bonds, including debt service and tax implications. We have never received the inquiry you have indicated you have received multiple times. In fact, the academic analysis associated with such, if completed, would be extraordinarily misleading as well as inaccurate when disclosing to the public the probable actual cost of the bonds in question. Such an academic analysis would not reflect the reality of the County's 40-year history of bond debt management.

When voters approve bond questions they contain a statutory cap on the interest rate. Over Pima County's 40-year history of bonding, we have never issued debt that has come close to the statutory interest rate cap. The most important factor that controls taxes needed and, hence, the debt repayment schedule, is the voluntary cap placed on the secondary property tax rate by the Board of Supervisors. Although you characterized the inquiry as a fair question, it is not a fair question and, if answered, would lead to misrepresentation.

Since 1974, Pima County has asked the voters to approve bonds 12 different times. These approvals have led to 55 different questions being approved by the voters. Each question has had multiple bond sales over the life of the program; hence, there have been close to 100 different bond debt issuances for voter-authorized bonds over the last 40 years. The County has never issued bond debt where the market interest rate has been near the maximum interest rate disclosed in the voter bond question.

To assume our bond debt would be issued at eight percent would require an assumption that municipal bond interest rates will increase by more than three fold in just one year. Such is completely unrealistic. In fact, in the County's 40-year history of issuing bonds, there was only one brief period during which interest rates were as high as eight percent, which was during the hyper-inflation years of the early 1980s.

Our forecasted municipal bond debt issuance interest rates reflects the national market and are the best estimate of future interest expenses to be incurred by the public if bonds are approved by the voters on November 3, 2015.

CHH/anc

Attachment

c: The Honorable Chair and Members, Pima County Board of Supervisors
John Bernal, Deputy County Administrator for Public Works
Tom Burke, Deputy County Administrator for Administration
Jan Lesher, Deputy County Administrator for Community and Health Services

Maura Kwiatkowski

From:	Ally Miller
Sent:	Monday, October 05, 2015 10:13 AM
To:	Chuck Huckelberry; Tom Burke
Cc:	Jeannie Davis; Sherry Potter; Shirley Lamonna; Ryan Cunningham
Subject:	Bond Plan with the voter authorized 8% Interest Rate

Dear Mr. Huckeberry and Mr. Burke,
I have received multiple inquiries regarding what the average annual tax impact will be for the median priced home of $120,693 at the interest rate of 8% which is the rate you are asking voters to approve. The calculations for this number have interest rates of 2.78% for 5 years, 3.2 % for the next 5 years and 3.45% thereafter per the voter guide.
I believe this is a fair question as every voter should understand what the maximum impact would be to their finances given this is the rate you are asking them to approve.
Thank you in advance for your prompt response to this question.

Regards,

Ally

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