Board of Supervisors Memorandum

December 3, 2013

Resolutions Relating to Debt Issues

Introduction

There are five Resolutions on the Board of Supervisors December 3, 2013 Agenda relating to four new debt issues and the defeasance of existing debt. Each of the four new debt issues are included in the Adopted Budget for Fiscal Year 2013/14 as funding sources for the County's Capital Improvement Projects program. The five resolutions relate to the following debt issues:

1. Resolution No. 2013-107 for General Obligations Bonds
2. Resolution No. 2013-108 for Street and Highways (Highway User Revenue Fund; HURF) Revenue Bonds
3. Resolution No. 2013-109 for Certificates of Participation
4. Resolution No. 2013-110 for Cash Defeasance of Existing General Obligation Bonds
5. Resolution No. 2013-111 for Sewer System Revenue Obligations

General Obligation Bonds

Resolution No. 2013-107 authorizes staff to issue additional General Obligation bonds in an amount not to exceed $20,000,000, as anticipated in the Adopted Budget. Due to the timing of the County's cash flow needs, it is expected that only $10,000,000 of General Obligation bonds will be issued for this fiscal year. The remaining bonds would be issued sometime next fiscal year after obtaining Board of Supervisors authorization at that time. The proceeds of this bond issue would be used to continue the General Obligation bond program for the 1997, 2004 and 2006 voter-approved bond authorizations. Although the proceeds will be used for numerous projects, the largest two projects are the Regional Public Safety Communications System (Pima County Wireless Integrated Network; PCWIN) and the Santa Cruz River Flood Control Erosion Control and Linear Park project, from Ajo Way to 29th Street.

Street and Highways (HURF) Revenue Bonds

Resolution No. 2013-108 authorizes staff to issue $16,000,000 of new HURF debt for road projects, including, among other projects, the following roads:

Location	District
22nd Street, Interstate 10 to Tucson Boulevard	2
Kinney Road, Ajo Way to Bopp Road	3
Magee Road, La Cañada Drive to Oracle Road	1
Neighborhood Transportation Improvements	Various
Safety Improvements, 1997 Bond Funded	Various
Houghton Road, Interstate 10 to Golf Links Road	4
Orange Grove Road, Camino de la Tierra to La Cholla Boulevard	1

The Resolution authorizes a total of not to exceed $41,000,000 of HURF bonds. The additional $25,000,000 over the $16,000,000 for projects is to issue new debt to refund existing HURF bonds to obtain interest savings. The exact amount of debt refunded will be determined by the interest rates in the market at the time of the sale in January 2014. When the County refunds debt, it does not extend the term of the debt. The principal is repaid on the same schedule but at lower interest rates, which lowers the required annual debt service payment.

Certificates of Participation

Resolution No. 2013-109 authorizes staff to issue Certificates of Participation debt (COPs) in an unspecified amount to fund the completion of the Public Service Center at 220 N. Stone Avenue that will house the Consolidated Justice Courts and offices for the Treasurer, the Assessor and the Recorder. The anticipated amount of the COPs is $58,000,000. As with all COPs, the County provides collateral by means of selling or leasing a County building. In this case, the new Public Service Center will be leased by public auction, with the payment being the amount of the borrowing, and then the building will be leased-back by the County for the term of the debt. The County will pay annual lease payments for 15 years equal to the debt service on the COPs. After repayment of the debt, the collateral is returned to the County.

Cash Defeasance of Existing General Obligation Bonds

Resolution No. 2013-110 authorizes staff to use available cash in the Debt Service Fund to pay down existing General Obligation bonds. The County has approximately $17,000,000 available to pay down (defease) outstanding General Obligation debt. The funds were accumulated over the past few years as a result of the timing of the annual debt service budget adoption and the timing of the bond sales. The debt service budget is prepared in February and March before the beginning of the next fiscal year. On occasion, the bond sales anticipated in the budget are delayed due to the variations in the construction schedules of projects. The County does not issue General Obligation debt before the funds

are needed. If a bond sale is delayed, the required debt service payments are also delayed, creating cash balances that can be used to defease bonds. If the Board approves this resolution, staff will work with bond counsel and financial advisors to determine which bonds to defease.

Sewer System Revenue Obligations

Resolution No. 2013-111 authorizes staff to sell additional sewer revenue obligations not to exceed $70,000,000. This is the amount approved by the Board in the Adopted Budget for the Regional Wastewater Reclamation Department for the current fiscal year. The proceeds of this debt will be used to continue work on the Regional Optimization Master Plan (ROMP) projects and conveyance projects listed in the Capital Improvement Program adopted by the Board with the Fiscal Year 2013/14 Adopted Budget.

I transmitted the County debt position as of June 2013 in my November 21, 2013 memorandum. In general, County debt is declining, with the exception of our wastewater obligations to complete the ROMP program. We continue to experience low interest rates for borrowing and have not extended our debt repayment period for any debt issue. We will, in fact, accelerate principle debt repayment of our General Obligation bond debt with the cash defeasance.

Recommendation

I recommend the Board of Supervisors pass and adopt the five resolutions, Resolution Nos. 2013-107, -108, -109, -110 and -111 regarding our debt issuance for Fiscal Year 2013/14.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/mjk – November 25, 2013

c: Tom Burke, Director, Finance and Risk Management