MEMORANDUM

Date: January 9, 2014

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **County Bond Ratings**

Nationally recognized rating agencies FitchRatings and Standard & Poor's Rating Services recently analyzed the County's financial stability and affirmed Pima County's positive ratings for existing and future proposed debt obligations. Such ratings are a condition that must be met before any new debt is created through borrowing.

This memorandum will summarize the key findings of those reports, which reviewed Pima County's general obligation bond program, as well as the Certificates of Participation (COPs) series and revenue debt for streets and sewer improvements.

Both rating agencies evaluated an upcoming sale of $10 million in general obligation bonds, as well as $53.6 million in COPs. These sales will provide funding support for the County's regional radio system for first responders and the new Public Service Center for the Justice Courts, Recorder, Assessor and Treasurer.

The ratings, which indicate a high credit quality given expectations that there is sufficient capacity to meet financial commitments, cited adequate budget flexibility, strong liquidity and strong management conditions among the key positive drivers.

Fitch Ratings outlined a number of factors that led to the AA rating for the County's general obligation bond program. The COPs were assigned an AA- rating.

Ultimately, high bond ratings allow the County to pay a lower interest rate on its capital program.

Among the findings outlined by Fitch:

- County management has employed aggressive spending adjustments in response to the economic downturn to maintain adequate reserves. Those reductions provided ongoing $18.3 million in savings in Fiscal Years (FYs) 2008 and 2009, with $25 million in cuts in FY 2011 and $27.7 million in 2012.

- While no additional reductions were made for FY 2013/14, the County will continue to realize savings from staff reductions.
- The County has maintained a satisfactory financial reserve. While the 2014 budget projects a decline in reserves to five percent of budget expenditures, Fitch expects relief in the coming years as a result of the "county's practice of conservative budgeting," as well as improving revenue trends.
- The County's overall debt ratio is characterized as "moderate," with Fitch viewing the County's rapid repayment of debt, with 90 percent paid within 10 years, as offering substantial flexibility.

Standard & Poor's, which assigned an AA- rating on the general obligation series, views the County's outlook as stable. "The stable outlook reflects our view of the county's historically strong financial management and its slowly improving revenue environment," the report states, noting there is some room to improve reserves and budgetary alignment.

Both rating agencies assigned a Double A rating with a stable outlook to the County's street and highway revenue bonds, which are funded through revenues the County receives from the state through fuel taxes, vehicle registration fees and license fees. The County has roughly $74 million in remaining bond authorization but does not anticipate new issuance for several years after issuance of $13 million this month.

State-shared revenues increased in 2013 for the first time after a five-year decline as economic activity begins to recover. Still, both agencies cited remaining uncertainty regarding future state interception of Highway User Revenue Fund revenues, although diversions have stabilized since 2012.

Additionally, both rating services assigned an AA- to $50.7 million in sewer system revenue bonds, crediting the County with automatic annual rate hikes over FYs 2011 through 2014 to cover capital needs associated with a significant overhaul of the sewer system. Standard & Poor's actually upgraded the County's rating from A+ to AA-, primarily due to the solid liquidity arising from recent rate increases. The County will review its current rate adequacy as part of the annual budget process.

The Board's sound fiscal decisions have provided the basis for these outstanding ratings.

CHH/mjk

Attachments

c: Tom Burke, Director, Finance and Risk Management

FitchRatings

Fitch Rates Pima County, AZ's GOs 'AA' and COPs 'AA-'; Outlook Stable

Ratings Endorsement Policy
19 Dec 2013 4:36 PM (EST)

Fitch Ratings-Austin-19 December 2013: Fitch Ratings has assigned the following ratings to the securities of Pima County, AZ (the county):

--$10 million general obligation (GO) bonds, series 2014 at 'AA';
--$52.99 million certificates of participation (COPs), series 2014 at 'AA-'.

The bonds and COPs are scheduled for a negotiated sale in early- to mid-January 2014. Proceeds from both series will finance various county improvements.

In addition, Fitch affirms the following county ratings:

--$456.7 million outstanding GO bonds at 'AA';
--$127.7 million outstanding COPs at 'AA-';

The Rating Outlook is Stable.

SECURITY
GO bonds are secured by an unlimited ad valorem tax levied against all taxable property in the county. COPs are secured by a master lease agreement dominated by essential assets. The lease is subject to annual appropriation and the trustee has the right to seize the assets in the event of less than full appropriation.

KEY RATING DRIVERS

FINANCIAL CHALLENGES; ADEQUATE RESERVES: The county has responded to the economic downturn and accompanying revenue declines with aggressive spending adjustments. Although the fiscal 2014 budget anticipates a decline in reserves to the policy minimum, Fitch expects that conservative budgeting, improving revenues, and the county's commitment to reserve adequacy will generate an improved financial cushion over the next several years.

TAX BASE STABILIZING: Rapid tax base growth reversed in fiscal 2011, followed by declining values through fiscal 2014. Management anticipates modest growth to resume in fiscal 2015, reflecting the two year lag from market values, which Fitch believes is reasonable based on current trends.

LARGE, DIVERSE REGIONAL ECONOMY: The local economy remains a positive long-term credit consideration, with its diverse and stable elements providing a sound foundation.

POSITIVE DEBT PROFILE; UNDERFUNDED PENSIONS: The county's debt burden is manageable and debt repayment is rapid; capital needs are sizable but should not result in meaningful changes to debt ratios. State pension plans are underfunded and while the county's annual costs are manageable, Fitch expects those to rise over time.

RATING DISTINCTION ON COPs: The COP rating is one notch lower than the ULT rating. Although lease payments are subject to annual appropriation, Fitch believes the incentive to continue to appropriate is strong. The county is a regular COP issuer and most of the leased assets are essential to core governmental purposes.

RATING SENSITIVITIES

ADEQUATE FINANCIAL FLEXIBILITY: Maintenance of the current rating is dependent upon stabilization and eventual replenishment of operating reserves. Further erosion of the county's reserves below current levels likely will pressure the rating.

CREDIT PROFILE
Pima County is home to Tucson, Arizona's second largest city with an approximate population of 1 million.

FINANCIAL CHALLENGES

The county has reduced expenditures during the recession to maintain adequate reserves. Across-the-board general fund budget reductions of about 11.5% provided $18.3 million in savings for each of fiscal years 2008 and 2009, $25 million in fiscal year 2011, and $27.7 million in fiscal year 2012. Net deficits in fiscal years 2009 and 2011 largely reflect paygo capital spending and the county's practice of applying reserves to pay off outstanding COPs every several years.

Fiscal 2012 actual results bettered original projections. The county realized a $3.2 million (.7%) net surplus, ending the year with an unrestricted fund balance of $77.7 million or 16.1% of spending and transfers out. Contributing to the strong performance, intergovernmental revenues reversed course with a $4 million (10.6%) increase due to higher state shared sales taxes. Service fees and miscellaneous earnings also rose.

While no additional across-the-board reductions were made for fiscal years 2013 or 2014, the county will continue to realize savings from staff reductions and frozen salaries. Unaudited fiscal 2013 unrestricted reserves of $56.7 million (11.7% of spending and transfers out) are down by $21 million from the year prior but remain satisfactory. The reduction reflects general fund support to other departments, transportation improvements, COPs repayment, and capital project funding.

The fiscal 2014 budget includes an increase in the primary tax rate, but also projects a decline in reserves to the county's 5% of budget expenditure minimum target. The budget continues to reflect support for operations outside of the general fund, and includes the first general pay increase in five years.

While the diminishment of the county's financial cushion is a concern, Fitch notes the county's practice of conservative budgeting and also expects an improving trend of state shared revenues and modest gains in the tax base to provide a measure of relief in the next couple of years. The current rating is also premised on the county's commitment to further cost cutting in order to prevent reserves from dipping below its 5% policy threshold.

MANAGEABLE DEBT BURDEN

Overall debt ratios are moderate at 2.6% of fiscal 2014 market value and $1,632 per capita. Fitch views the county's rapid amortization (90% in 10 years) as offering significant flexibility and expects debt levels to remain moderate.

Series 2014 GO bond proceeds will fund a variety of projects including the county's public safety communication system. Series 2014 COPs proceeds will fund completion of the county's public service center and parking garage. The county expects to issue approximately $13 million of additional GO bonds in fiscal 2015 to support its general capital program. The county also anticipates issuing approximately $60 million in COPs, to finance improvements to its wastewater system, with annual debt payments from revenues of the system.

The county participates in state-sponsored pension programs for its retirees. Estimated funding levels (using Fitch's more conservative 7% investment return assumption) are weak - ranging from 50% to 56% funded. County contributions to the pension plans are consistently at or above 100% of the required amount. Carrying costs, including debt service and pension contributions are a moderate 15% of governmental spending. The county makes no contributions for post-employment (OPEB) benefits.

LARGE, DIVERSE REGIONAL ECONOMY

The county's historically diverse economy features higher education, healthcare, government, technology, tourism and manufacturing as primary anchors. The top 10 taxpayers represent retail, healthcare, utility and mining sectors, comprising a modest 7.8% of total fiscal 2014 assessed valuation. Fiscal 2014 market value per capita of $64,000 is down from the recent fiscal 2010 peak of $82,000, reflecting a cumulative 24% loss of assessed value over the past four years.

Management is anticipating modest tax base growth in fiscal 2015 after a series of recessionary declines, and this projection appears reasonable to Fitch based on improving real estate prices. A 2012 state constitutional amendment will limit increases in real property for taxation purposes to 5% annually beginning in 2015. Fitch does not anticipate any near-term negative impact for Pima County from this new limitation.

Major southern Arizona employers include the University of Arizona (10,846), Raytheon Missile Systems (10,300), Davis-Monthan Air Force Base (9,100), the State of Arizona (8,807), Walmart Stores Inc. (7,450), Tucson Unified School District (6,790), U.S. Customs & Border Protection/U.S. Border Patrol (6,500), and UA Healthcare (6,099).

County employment levels declined a total of 4% between 2009 and 2013 after years of annual increases dating back to 2000. The county's unemployment rate of 7.7% as of August 2013 is flat from a year ago. This most recent rate compares favorably with the state but is somewhat elevated in relation to the reported U.S. average for the month.

While the housing sector has weakened considerably, residential foreclosure and delinquency numbers are below those of the Phoenix market due to less speculative building in the Tucson area over the past decade. County wealth levels are moderately below state and national averages; median household income is $46,341, compared to the Arizona average of $50,752 and the U.S. average of $52,762.

Contact:

Primary Analyst
Rebecca Meyer
Director
+1-512-215-3733
Fitch Ratings, Inc.
111 Congress Ave., Suite 2010
Austin, Texas 78701

Secondary Analyst
Julie Seebach
Director
+1-512-215-3740

Committee Chairperson
Steve Murray
Senior Director
+1-512-215-3729

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, National Association of Realtors.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria' (Aug. 14, 2012);
--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:
Tax-Supported Rating Criteria
U.S. Local Government Tax-Supported Rating Criteria

Additional Disclosure
Solicitation Status

FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

FitchRatings

Fitch Rates Pima County, AZ's Street & Highway Revs 'AA'; Outlook Stable

Ratings Endorsement Policy
19 Dec 2013 5:15 PM (EST)

Fitch Ratings-Austin-19 December 2013: Fitch Ratings has assigned an 'AA' rating to the following securities of Pima County, AZ (the county):

--$16 million street and highway revenue bonds, series 2014;
--$9.28 million street and highway revenue refunding bonds, series 2014.

The bonds are scheduled for a competitive sale in mid-January 2014. Proceeds will finance various county improvements and refund a portion of outstanding street and highway revenue bonds for interest savings.

In addition, Fitch affirms the following county bonds at 'AA':

--$126 million outstanding street and highway revenue bonds (pre-refunding).

The Rating Outlook is Stable.

SECURITY
The bonds are secured by a first lien on all revenues received by the county from taxes, fees, charges and other moneys collected by the state for street and highway purposes.

KEY RATING DRIVERS

SOUND DEBT SERVICE COVERAGE: Pledged revenues generate solid debt service coverage on maximum annual debt service (MADs), despite recent revenue declines.

STABILIZING PLEDGED REVENUES: Fiscal 2013 pledged revenues realized a solid gain following four consecutive years of decline due to the weakened Arizona economy and redirection by the state of highway revenues.

LIMITED BORROWING PLANS: Management reports no sizable borrowings for the next couple of years. The additional bonds test is ample, requiring 2.0x maximum annual debt service coverage from historical revenues with consideration of new debt.

LARGE, DIVERSE REGIONAL ECONOMY: Despite recent pressure, the local economy remains a positive long-term credit consideration, with its diverse elements providing stability.

RATING SENSITIVITIES

EROSION OF COVERAGE: Reduction of debt service coverage to the additional bonds test (ABT) limit of 2.0x could create downward rating pressure.

CREDIT PROFILE
Pima County is home to Tucson, Arizona's second largest city with an approximate population of 1 million.

SOLID DEBT SERVICE COVERAGE

Projected fiscal 2013 pledged revenues total roughly $47.5 million, representing a 5.7% increase from last year and reversing a five-year slide during which revenues declined 23%. Despite the weaker revenue totals, projected MADs coverage remains sound. Using unaudited fiscal 2013 revenues, pro forma MADS coverage for all outstanding highway user revenue bonds (including these issues) is 2.5x.

The county has roughly $73.4 million in highway user revenue bond authorization remaining, but current plans do not anticipate new issuance for the next couple of years. The pace of borrowing has slowed, reflecting a stated reluctance by management to further leverage this revenue source significantly despite pressing transportation needs. The amortization schedule is rapid; all street and highway user revenue bonds mature by 2028.

Also considered in the rating is the possibility of future diversions by the State of Arizona of highway revenues that would reduce the amount of such revenues that are distributed to municipalities, including Pima County. The legislature has made such alterations previously, and Pima County officials report reductions in transfers to the county over the past decade have totaled more than $26 million (5%) of the cumulative revenues received by the county over that period.

The state legislature retains the authority to alter the rate of fees that are constitutionally required to be deposited into the state highway user fund, as well as the allocation of such monies between state purposes and the distribution to local governments. The trend of diversions has declined and the county anticipates further diminishment of diversions in the near term which Fitch considers reasonable given the strengthening state economy in the foreseeable future.

PLEDGED REVENUE SOURCES

Highway user tax revenues consist of motor vehicle fuel taxes, motor vehicle registration fees, motor vehicle licenses taxes, motor carrier fees, motor vehicle operator's license fees, and other miscellaneous fees and revenues. Highway user tax revenues are collected by the state and deposited into the state highway user fund until distributed.

Arizona counties receive 19% of the monthly revenue distributions, and state Department of Transportation and cities and towns receive the remaining 81%. Of the money distributed to counties, 72% is distributed in proportion to the sale and consumption of fuel within each county, and the remainder is distributed on the basis of the proportionate population within the unincorporated areas of each county.

Legal provisions provide adequate bondholder protections. They include an additional bonds test of 2.0x MADS (using an historical test) for bonds outstanding plus bonds to be issued. In addition to debt service payments, highway user tax revenues are used by the county for capital projects and for staffing, maintenance and contractual expenses related to county streets and highways.

The county's transportation fund maintains healthy reserves, with total balances ranging from 17% to more than 59% of annual spending over the past five fiscal years. Intergovernmental (state) revenues typically comprise more than 95% of annual transportation fund revenues.

LARGE, DIVERSE REGIONAL ECONOMY

The county's historically diverse economy features higher education, healthcare, government, technology, tourism and manufacturing as primary anchors. The top 10 taxpayers represent retail, healthcare, utility and mining sectors, comprising a modest 7.8% of total fiscal 2014 assessed valuation. Fiscal 2014 market value per capita of $64,000 is down from the recent fiscal 2010 peak of $82,000, reflecting a cumulative 24% loss of assessed value over the past four years.

Major southern Arizona employers include the University of Arizona (10,846), Raytheon Missile Systems (10,300), Davis-Monthan Air Force Base (9,100), the State of Arizona (8,807), Walmart Stores Inc. (7,450), Tucson Unified School District (6,790), U.S. Customs & Border Protection/U.S. Border Patrol (6,500), and UA Healthcare (6,099).

County employment levels declined a total of 4% between 2009 and 2013 after years of annual increases dating back to 2000. The county's unemployment rate of 7.7% as of August 2013 is flat from a year ago. This most recent rate compares favorably with the state, but is somewhat elevated in relation to the reported U.S. average for the month.

While the housing sector has weakened considerably, residential foreclosure and delinquency numbers are below those of the Phoenix market due to less speculative building in the Tucson area over the past decade. County wealth levels are moderately below state and national averages; median household income is $46,341, compared to the Arizona average of $50,752 and the U.S. average of $52,762.

Contact:

Primary Analyst
Rebecca Meyer
Director
+1-512-215-3733
Fitch Ratings, Inc.
111 Congress Ave., Suite 2010
Austin, Texas 78701

Secondary Analyst
Julie Seebach
Director
+1-512-215-3740

Committee Chairperson
Steve Murray
Senior Director
+1-512-215-3729

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, National Association of Realtors.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria' (Aug. 14, 2012);
--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

Applicable Criteria and Related Research:
Tax-Supported Rating Criteria
U.S. Local Government Tax-Supported Rating Criteria

Additional Disclosure
Solicitation Status

FitchRatings

Fitch Rates Pima County, AZ's $51MM Sewer System Revenue Obligations 'AA-'; Outlook Stable

Ratings Endorsement Policy
19 Dec 2013 12:58 PM (EST)

Fitch Ratings-Austin-19 December 2013: Fitch Ratings assigns an 'AA-' rating to the following Pima County, Arizona's (the county) revenue obligations:

--$50.7 million sewer system revenue obligations, series 2014.

The bonds are expected to sell via negotiation the week of Jan. 20, 2014. Proceeds will be used to finance improvements and extensions to the county sewer system and pay costs of issuance.

In addition, Fitch affirms the following ratings:

--$151.7 million in outstanding senior lien revenue obligations at 'AA';
--$486.8 million in outstanding subordinate lien sewer system revenue obligations at 'AA-'.

The Rating Outlook is Stable.

SECURITY

The series 2014 obligations are payable from installment payments made by the county to the trustee. The county's obligation to make the installment payments is secured by pledged revenues (net revenues, including unrestricted cash balances) of the county's sewer system (the system); such lien on, pledge of, and security interest in the pledged revenues (exclusive of the unrestricted cash balances which are only pledged to the subordinate lien sewer system revenue obligations) is subordinate to the prior pledge and lien on outstanding senior lien debt. The senior lien is closed.

KEY RATING DRIVERS

BELOW-AVERAGE DEBT SERVICE COVERAGE: Debt service coverage (DSC), exclusive of pledged unrestricted cash balances, has weakened in recent years due to increased debt service costs, and ongoing DSC is expected to remain below-average.

HIGH LIQUIDITY ENHANCES FINANCIAL PROFILE: Offsetting lower DSC, the county's very strong cash balances provide a great deal of flexibility.

HIGH DEBT BUT CAPITAL COSTS DECLINING: Debt levels are relatively high and will continue to increase with additional planned debt issuances. Nevertheless, capital costs are beginning to ramp down and are expected to drop considerably beyond the five-year horizon; debt is also retired rapidly.

PRESSURED RATE BASE: The county prudently adopted a series of automatic annual rate increases to counter the anticipated rise in fixed costs over the fiscal 2011 to 2014 period. User charges at 1.0% of median household income (MHI) as of fiscal 2013, however, are right at Fitch's affordability threshold.

STABLE ECONOMY: The service area is anchored by the presence of the military and defense industry that provide some stability; county unemployment rates are below state but above national levels.

RATING SENSITIVITIES

STRONG CASH BALANCES KEY: Declining liquidity could lead to a lowering of the rating in light of expectations of below-average DSC through the forecast period.

CREDIT PROFILE

MIXED FINANCIAL METRICS

Coverage has declined in the last two fiscal years, with total DSC (exclusive of pledged unrestricted cash balances) coming in at 1.5x in fiscal 2013. Including planned issuances totaling $195 million over the next five years (including the current debt issuance); all-in coverage is forecast to drop to a low of 1.2x by fiscal 2017. However, given the county's history of enacting rate increases, in some cases up to two rate hikes within one fiscal year, Fitch believes management will take the necessary steps to maintain the system's good financial performance.

Furthermore, it should be noted that the aforementioned projections do not include additional rate increases beyond fiscal 2014 nor do they include unrestricted cash balances, which are legally pledged to the subordinate lien sewer system revenue obligations and can only be used to pay debt service or provide rate relief. When projected unrestricted cash balances are included, all-in coverage estimates are 2.0x or better in each year throughout the forecast period.

Counterbalancing the downward DSC trend, liquidity has been steadily increasing, and was a high 845 days cash on hand and 639 days working capital in fiscal 2013. The county recently increased both its emergency and operating reserves, and constitutional expenditure limitations restrict the amount of cash from revenues or fees that can be used for capital expenditures. Bond proceeds are excluded from the expenditure limitation.

The increase in reserve amounts, combined with the spending limitations, should help maintain strong liquidity levels and/or facilitate the acceleration of debt payments. In fact, the county plans to use some of its excess cash reserves to retire debt early.

CAPITAL IMPROVEMENT PLAN RAMPING DOWN

Capital needs over the next five years are expected to cost an estimated $333 million. Some of the more notable projects in the plan are for biosolids facility improvements, decommissioning of the 50-year old Roger Road Water Reclamation Facility, interceptor rehabilitation projects and system-wide conveyance rehabilitation and augmentation projects. The county has substantially met future permitting requirements for environmental compliance, and consequently most of its needs will have been met after this plan is completed unless growth-related needs emerge.

DEBT LEVELS TEMPERED BY RAPID AMORTIZATION

Given the constitutional limitations on cash spending for capital, the county plans to primarily debt-fund its CIP over the next five years. Debt levels currently are high with debt per customer at $2,408. The county plans to issue an additional $135 million in parity debt (in addition to the current issuance) over the next five years, which will drive leverage ratios even higher.

However, due to the rapid amortization of debt and the decline in capital needs beginning in fiscal 2016, debt levels are projected to descend at a moderately rapid pace post-2015, assuming future capital needs are low. Debt per customer is projected at $2,867 in fiscal 2018. Amortization of debt, including the current issuance, is very rapid, with principal payout at 77% and 100% in 10 and 15 years, respectively.

GROWING DEBT SERVICE REQUIREMENTS PRESSURE RATES

To cover the anticipated rise in debt service costs, the county enacted automatic annual rate hikes over fiscal years 2011-2014; the final approved rate increase became effective on July 1, 2013 (fiscal 2014). While no rate increases are included in the county's financial projections, staff plans to propose modest rate increases for fiscals 2016 and 2017. The county will conduct a review of its rate adequacy as part of the annual budget process. With a monthly bill at $37.52 (assuming sewer flows of 6,000 gallons per month), rates currently are at Fitch's affordability threshold at 1.0% of MHI.

SERVICE AREA BENEFITS FROM STABLE ECONOMY

The county provides wastewater service to the Tucson metropolitan statistical area (MSA) and separate outlying areas in eastern Pima County. The system serves a population of approximately 1 million through more than 265,000 sewer connections. Together the wastewater facilities have a combined capacity of 97.1 million gallons per day (MGD), with sewer flows averaging 61 MGD.

Tucson is Arizona's second largest city and the Pima County seat. Fitch rates the county's general obligation bonds 'AA' with a Stable Outlook. The area's economy is diverse, featuring military and defense, higher education, healthcare, government, and manufacturing as primary anchors. County unemployment levels at 7.7% as of August 2013 are below state (8.7%) but above national (7.3%) averages. County wealth levels are slightly below state and national levels.

Contact:

Primary Analyst
Julie G. Seebach
Director
+1-512-215-3740
Fitch Ratings, Inc.
111 Congress, Suite 2010
Austin, TX 78701

Secondary Analyst
Rebecca Meyer, CFA, CPA
Director
+1-512-215-3733

Committee Chairperson
Steve Murray
Senior Director
+1-512-215-3729

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's U.S. Municipal Revenue-Supported Rating Criteria, this action was additionally informed by information from Creditscope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria' (June 3, 2013);
--'U.S. Water and Sewer Revenue Bond Rating Criteria' (July 31, 2013);
--'2014 Water and Sewer Medians' (Dec. 12, 2012);
--'2014 Outlook: Water and Sewer Sector' (Dec. 12, 2013).

Applicable Criteria and Related Research:
Revenue-Supported Rating Criteria
U.S. Water and Sewer Revenue Bond Rating Criteria
2014 Water and Sewer Medians
2014 Outlook: Water and Sewer Sector

Additional Disclosure
Solicitation Status

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Pima County, Arizona; Appropriations; General Obligation

Primary Credit Analyst:
Sarah Sullivant, San Francisco (1) 415-371-5051; sarah.sullivant@standardandpoors.com

Secondary Contact:
Kate R Burroughs, San Francisco (1) 415-371-5081; kathleen.burroughs@standardandpoors.com

Table Of Contents

Summary:

Pima County, Arizona; Appropriations; General Obligation

Credit Profile		
US$53.61 mil certs of part ser 2014 due 12/01/2028		
Long Term Rating	A+/Stable	New
US$10.0 mil GO bnds ser 2014 due 07/01/2028		
Long Term Rating	AA-/Stable	New
Pima Cnty GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to Pima County, Ariz.'s series 2014 general obligation (GO) bonds. At the same time, we affirmed our 'AA-' long-term and underlying ratings (SPUR) on the county's previously issued GO debt. In addition, we assigned our 'A+' long-term rating to the county's series 2014 certificates of participation (COPs) and affirmed its 'A+' long-term rating and SPUR on the county's previously issued COPs. The outlook on all ratings is stable.

Revenues from unlimited ad valorem taxes levied on taxable property within the county secure the GO bonds. The county has the power and obligation to levy these taxes without limitation as to rate or amount. The certificates represent an interest in lease payments made by the county, as lessor, to U.S. Bank N.A., for the use of certain leased property, including the county's public works building, legal services building, two parking garages, a public service center office tower, and certain adult detention (jail) facilities of the county.

The rating on the COPs reflects the county's covenant to budget and appropriate annual lease payments. In addition, the ratings reflect our recently released local GO criteria, as well as our assessment of the following credit factors:

- Adequate economy, which benefits from participation in the broad and diverse Tucson metropolitan statistical area;
- Adequate budgetary flexibility with 2013 unaudited reserves of 11.5% of general fund expenditures and further declines expected;
- Weak budgetary performance based on recent deficits that are projected to continue;
- Very strong liquidity with the ability to cover both debt service and expenditures;
- Strong management conditions, supported by good financial policies; and
- Adequate debt and contingent liabilities profile.

Adequate economy

We consider Pima County's economy to be adequate, benefiting from the broad and diverse Tucson metropolitan economy. Projected per capita income in the city is 96% of the national level while per capita market value is $63,410. Recent declines in market value, though not as severe as those experienced in other parts of the state, and near continuous population growth that is projected to continue, have contributed to weakening per capita property wealth in recent years.

Adequate budget flexibility

We consider the county's budgetary flexibility to be adequate based on estimated ending reserves in fiscal 2013 of 11.5% of budgeted expenditures. The county drew down available reserves significantly in 2013, from 16% of adjusted expenditures in fiscal 2012, and management projects an operating deficit of nearly 6% in fiscal 2014. However, due to the one-time receipt by the general fund of $18.5 million from the closure of the Pima Health System, ending reserves in 2014 will likely reflect a smaller net drawdown. Based on this projected use of reserves, the county expects to end fiscal 2014 with a general fund balance equal to approximately 9% of expenditures.

Weak budgetary performance

We consider the county's budgetary performance to be weak based on unaudited 2013 results, which show a general fund deficit of 4.3% and total governmental funds deficit of 7.7% after adjusting for one-time expenditures and the use of bond proceeds. The county's revenues, which consist primarily (62%) of property taxes, have been flat or declining the past three fiscal years as assessed valuation lags recent improvement in property values, although we understand that the county raised its primary tax rate in fiscal 2014 in order to achieve a roughly 1.5% increase in property taxes. In addition to weakened property-based revenues, the county has increased expenditures in fiscals 2013 and 2014, and in 2014 offered employees the first salary increase in nearly five years. County officials expect to end 2014 with a general fund operating deficit of nearly 6% based on slightly lower property taxes and increasing salary and benefit expense although actual ending results net of one-time revenues will likely be better. Projected total governmental funds performance for fiscal 2014 is not available.

Very strong liquidity

Supporting the county's finances is liquidity we consider very strong, with total government available cash equal to 35% of governmental fund expenditures and over two times annual debt service. We believe the county has exceptional access to external liquidity as evidenced by its consistent and diverse bond programs, and we have not identified any immediate, short-term risks to liquidity.

Strong management conditions

We view the county's management conditions as strong, supported by financial policies and practices we consider to be good. Officials review budget-to-actual performance on a monthly basis and investment performance monthly, and the county maintains a comprehensive five-year rolling capital improvement plan. No formal general fund reserve policy exists; however, the county has resolved to maintain a tax reduction and debt service retirement reserve of $5 million.

Adequate debt and contingent liability profile

In our opinion, the county's debt and contingent liability profile is adequate, with a 2014 direct debt burden equal to roughly 82% of total governmental funds revenue. Total governmental funds debt service is roughly 11% of expenditures although overall net debt represents only 2.2% of 2014 market value, which partially offsets the county's direct debt burden. We understand the county plans to issue an additional $72 million in GO and appropriation-backed COP debt in fiscal 2015, which would not substantially alter our opinion of its debt profile. The county's debt management policy calls for a maximum amortization period of 15 years for GO, appropriation, and revenue debt, and we consider the amortization schedule of outstanding debt to be moderately rapid with just under 65% retired within 10 years.

The county contributes to four multiple employer pension plans and has consistently funded its annual required contributions, as well as a portion of employees' statutorily required contributions. Annual pension contributions totaled $32.2 million in fiscal 2012. The Arizona State Retirement System (ASRS), the largest single retirement plan, represents 65% of the county's current annual pension expenditures and is 75% funded. The Public Safety Personnel Retirement Plan (PSPRS) is 55% funded, and the Corrections Officer Retirement System (CORP) is 62% funded.

Other postemployment benefits for certain retired employees are provided through these state retirement systems and financed on a pay-as-you-go basis, and we understand that the county closed retiree health benefit plans to new members several years ago, which lowered its unfunded OPEB liability. Combined pension and OPEB expenditures in fiscal 2012 were 4.0% of total governmental funds expenditures. We consider this to be a low carrying charge for pension obligations although future increases in contribution rates, if not accompanied by funding progress, could elevate the county's pension burden.

Strong institutional framework

The Institutional Framework score for all Arizona counties is "strong." See the Institutional Framework score for Arizona.

Outlook

The stable outlook reflects our view of the county's historically strong financial management and its slowly improving revenue environment. We do not expect to lower the rating during the next two years given the improving revenue environment, provided that finances do not deteriorate further. However, we could raise the rating if the county's reserves and financial flexibility improve and it achieves balanced operations.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Arizona Local Governments

Ratings Detail (As Of December 31, 2013)		
Pima Cnty certs of part		
Long Term Rating	A+/Stable	Affirmed
Pima Cnty rfdg certs of part		
Long Term Rating	A+/Stable	Affirmed

Ratings Detail (As Of December 31, 2013) (cont.)		
Pima Cnty COP ser 2010 due 06/01/2019		
Long Term Rating	A+/Stable	Affirmed
Pima Cnty GO bnds		
Long Term Rating	AA-/Stable	Affirmed
Pima Cnty GO bnds		
Long Term Rating	AA-/Stable	Affirmed
Pima Cnty certs of part (Justice Bldg Proj) ser 2007		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Pima Cnty GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Pima County, Arizona; Gas Tax

Primary Credit Analyst:
Sarah Sullivant, San Francisco (1) 415-371-5051; sarah.sullivant@standardandpoors.com

Secondary Contact:
Kate R Burroughs, San Francisco (1) 415-371-5081; kathleen.burroughs@standardandpoors.com

Table Of Contents

Summary:

Pima County, Arizona; Gas Tax

Credit Profile

US$16.0 mil HURF hwy rev bnds ser 2014 due 07/01/2028		
Long Term Rating	AA/Stable	New
Pima Cnty street & hwy ser 2008		
Long Term Rating	AA/Stable	Affirmed
Pima Cnty Gas Tax (street & hwy)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Pima County, Ariz.'s series 2014 street and highway revenue bonds. At the same time, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on the county's parity street and highway revenue debt. The outlook is stable.

The rating reflects our view of the county's:

- Strong debt service coverage of 2.5x maximum annual debt service (MADS) based on audited fiscal 2014 pledged revenues;
- Increasing state shared street and highway revenue; and
- Large and stable economic base, with recent population growth projected to continue.

Partly offsetting the above strengths, in our view, is the uncertainty with respect to state interception of street and highway revenues and recent weakness associated with the economic recession.

The highway user tax revenue collected by the state and distributed monthly to local agencies based on a statutory formula secures the bonds. Arizona distributes highway user tax revenues to its counties on a monthly basis, allocating 72% based on point of sale with the remainder based on population in unincorporated areas.

We understand that the county will use bond proceeds to finance various street and highway improvements.

Pledged revenue includes revenue from state shared fuel taxes, vehicle registration fees, and license fees. These revenues increased in 2013 for the first time since fiscal 2009, as fuel spending and economic activity, including consumer spending, begin recovering from the recession. Furthermore, the amount of Highway User Revenue Fund (HURF) funds diverted to other state purposes (primarily the Department of Public Safety) has stabilized since 2012 although uncertainty remains regarding future state interception of HURF revenues upstream from counties. Pledged revenue increased 6% in fiscal 2013 and 4% in fiscal 2014 to $49.2 million. Management projects that these revenues will continue to grow by a modest amount in fiscal 2015.

Fiscal 2014 pledged revenues provide coverage of maximum annual debt services (MADS) that we consider a strong, at 2.5x on all outstanding parity debt. Bond documents require MADS coverage of at least 2x by the preceding year's pledged revenue in order for the county to issue additional parity debt. Arizona statutes require annual debt service coverage of at least 1.5x for additional parity bonds.

Pima County encompasses 9,184 square miles of southern Arizona and has an estimated population of approximately 1.1 million, roughly half of whom reside in Tucson. The county's population has grown at a rate of nearly 2% annually throughout the past decade, including during the recent recession, due in large part to its attractive weather, growing employment base, and opportunities for outdoor recreation. We understand that both retail sales and new residential permits have increased in fiscal years 2012 and 2013, suggesting that the county's economic recovery is underway.

Education and health care, defense, and government are the county's primary employment sectors. The University of Arizona (10,846) is the leading employer, followed by Raytheon Missile Systems (10,300 employees) and Davis-Monthan Air Force Base (9,100). Year-round tourism contributes to a healthy leisure and hospitality sector. Total tourist expenditures have increased by more than 10% between 2010 and 2012. The county's unemployment rate has declined during the same period, currently measuring 7.7%. Income indicators are good, in our view, with median household and per capita effective buying income measuring 91% and 98% of the national levels, respectively.

Including this issuance, the county will have $141 million in debt secured by street and highway revenue, with final maturity in 2027. The county has $73 million in authorized but unissued street and highway revenue debt remaining. We understand that the county plans to issue additional street and highway revenue debt in 2015.

Outlook

The stable outlook reflects our anticipation that the county will maintain at least strong MADS coverage, despite plans to issue additional parity debt over the next several years. We do not expect to change the rating during our two-year outlook horizon; however, should the state step up its diversion of HURF funds, leading to a substantial reduction in pledged revenue, we could lower the rating.

Related Criteria And Research

Related Criteria

USPF Criteria: Special Tax Bonds, June 13, 2007

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Pima County, Arizona; Water/Sewer

Primary Credit Analyst:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@standardandpoors.com

Secondary Contact:
Sarah Sullivant, San Francisco (1) 415-371-5051; sarah.sullivant@standardandpoors.com

Table Of Contents

Summary:

Pima County, Arizona; Water/Sewer

Credit Profile

US$50.74 mil swr sys rev obs ser 2014 due 07/01/2028		
Long Term Rating	AA-/Stable	New
Pima Cnty swr (AGM)		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
Pima Cnty swr (ASSURED GTY)		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its ratings on Pima County, Ariz.'s sewer system revenue bonds to 'AA-' from 'A+' and on Pima's prior-lien sewer improvement and refunding revenue bonds to 'AA' from 'AA-'. At the same time, Standard & Poor's assigned its 'AA-' rating to the county's sewer system revenue bonds, series 2014. The outlook is stable.

The upgrade reflects our view of Pima's demonstrated willingness to raise sewer rates and fees as needed to maintain senior debt service coverage (DSC) and total DSC at levels we consider strong and good, respectively. The upgrade also reflects our analysis of a strong liquidity position that we expect to continue and a decreased reliance on connection fees and nonrecurring revenue sources. We expect management to adjust rates as needed to ensure annual total DSC of no less than about 1.3x (excluding unrestricted cash balance).

The 'AA' rating reflects our view of a closed lien structure and our expectation of very strong DSC levels. These bonds have a senior claim on net system revenues. Pima has covenanted not to issue any additional prior-lien obligations that would have a claim on net revenues senior to that of the 2010, 2011A, 2011B, 2012A, and 2014 bonds.

The ratings reflect our opinion of the sewer system's:

- Service area, which encompasses the large and diverse Pima County regional economy, including the City of Tucson;
- Demonstrated willingness to adjust rates (that we consider affordable) to maintain very strong senior and good subordinate DSC ratios (excluding unrestricted cash balance), while reducing reliance on connection fees and other nonrecurring revenue sources; and
- Strong liquidity position that is a formal policy to target three months' operations and an emergency fund with a $20 million balance bolster further.

We believe the following factors partially offset these strengths:

- A five-year, $333 million capital plan (that includes projects to meet regulatory permit requirements by Jan. 31, 2014) that Pima projects will require approximately $145 million in additional sewer revenue bonds (and $60 million from county-backed certificates of participation that will be repaid on a subordinate basis from unrestricted cash over six years) to finance; and

- Reliance on future rate increases to maintain good total DSC (Standard & Poor's-calculated) as debt service requirements escalate.

A subordinate lien on sewer system net revenues and unrestricted cash balances secure the proposed bonds, the proceeds of which will pay a portion of the costs of the construction, expansion, and improvement of sewer treatment facilities; and conveyance systems for the county's sewer system.

After the proposed bond issue, Pima will have approximately $151.7 million of prior-lien obligations (which includes loans by the state's Water Infrastructure and Finance Authority) and approximately $537.5 million of total parity obligations outstanding, the 2014 bonds having a junior claim on net system revenues. The county's sewer system has no outstanding variable-rate debt, swaps, or direct purchase obligations.

The 2014 bond provisions include a rate covenant to maintain rates, fees, and charges sufficient to cover 1.2x annual debt service on previous and parity obligations. The additional bonds test (ABT) requires 1.2x maximum annual debt service (MADS) coverage on previous and parity obligations. The ABT and rate covenant are somewhat weak, in our view, because revenues include the system's nonrecurring unrestricted cash balances, which totaled $128.7 million for fiscal year-end 2013. The bond provisions for the 2014 bonds include a debt service reserve (DSR) funded at one-half of MADS from available cash, similar to the 2010 obligations, the 2011B bonds, and the 2012A bonds. Previous bonds require a DSR funded at average annual debt service. Bond provisions for the 2011A bonds, however, lack a DSR.

The Pima County Regional Wastewater Reclamation Department provides wastewater collection and treatment services to 265,726 customers in the Tucson metropolitan statistical and outlying service areas. The wastewater system's customer base increased an average of 2.8% a year from fiscal years 2000-2007 before slowing to 1.7% in fiscal 2008, 0.1%-0.7% in fiscal years 2009-2012, and 0.3% in fiscal 2013. New construction activity, particularly in the residential sector, had been what we view as very strong until a few years ago. New housing starts fell 82% to 2,179 in 2009 from a peak of 23,272 in 2005. Connection fees revenues have fallen gradually, to about $11.4 million in fiscal 2013 from a peak of $42.2 million in fiscal 2006. We attribute the decrease to slowed economic activity, population growth, and construction activity. System officials project connection fees of about $13.1 million-$13.9 million annually from fiscal years 2014-2018. The system is very diverse, in our view, with the 10 leading customers in fiscal 2013 generating only 4.2% of total system operating revenues.

As growth and connection fees have dropped off, county officials have consistently demonstrated a willingness to increase rates (in fiscal years 2003 and 2005-2014) to meet operational and debt service needs. Despite this, we still consider average monthly residential sewer bill affordable compared to service area wealth levels, at about $50.29 based on current rates and 8,000 gallon usage. Annualized, this represents about 1.6% of Pima's 2012 median household effective buying income. Rate increases will fund the utility's large $333 million capital plan in fiscal years 2014-2018 to meet wastewater treatment water quality requirements, projected and planned sewage needs, and needed rehabilitations. County officials have reported that they are ahead of schedule for meeting permit requirements. The Tres Rios wastewater reclamation facility (Ina Road) was substantially complete in October 2013, more than 3 months ahead of its regulatory required date of January 31, 2014. We expect the project to finish on budget. The Agua Nueva wastewater reclamation facility (Roger Road) is substantially complete, taking influent flow in December 2013, more than one year ahead of its regulatory required date of Jan. 31, 2015. Management reports no other major regulatory requirement deadlines, just typical renewals for outlying facilities. The county projects needing to issue approximately $145 million in additional parity sewer revenue bonds (and $60 million from county-backed certificate of participation that it will repay subordinately from unrestricted cash over six years) in fiscal years 2015-2018 to fund the capital plan.

We believe the utility has had historically good overall DSC and liquidity due to the frequent rate increases. From fiscal years 2011-2013, DSC (Standard & Poor's-calculated) for prior-lien and parity obligations has gradually declined to 1.5x in fiscal 2013 from 2.3x in fiscal 2011, both of which we consider strong. The decline is mainly due to rising debt service requirements. For fiscal 2013, DSC (Standard & Poor's-calculated) for prior-lien obligations was 5.6x. These DSC figures exclude unrestricted cash balances. Connection fee revenue remains notably lower than amounts collected in the past. Sewer collection fee revenues declined gradually to $11.4 million in fiscal 2013 from $19.6 million in fiscal 2011, levels notably lower than the peak of $42.2 million of fiscal 2006. DSC (Standard & Poor's-calculated) without connection fees from fiscal years 2011-2013 ranges from 1.3x-1.7x.

Projected system net revenues (excluding unrestricted cash balances) cover debt service obligations from fiscal years 2014-2016 by no less than about 1.3x, a level that we consider good, before falling to an adequate 1.15x and 1.17x in fiscal years 2017 and 2018, respectively. Excluding unrestricted cash balances and connection fees, projected total DSC ranges from about 1.00x-1.20x, while senior DSC is very strong, in our opinion, at no lower than 4.68x. These projections, however, do not assume any rate increases in fiscal years 2015-2018. The projections reflect, among other things, the impact of the last of the four automatic rate increases (6.5% for the monthly service charge and 10% for user fee rates) that went into effect July 1, 2013 (the beginning of fiscal 2014); debt service from this and future bond issues; and the county using cash to defease approximately $38 million of previous obligations in fiscal 2017. Nevertheless, we expect total DSC (excluding unrestricted cash balances) to be at least 1.3x in fiscal years 2017 and 2018 because we expect management to request in early 2015 another multiyear automatic rate increase of 3% or more per year for fiscal years 2016-2018.

We believe system liquidity has been strong historically and we expect this to continue despite repaying the county for certificates of participation (COPs) issued to fund projects related to the sewer system.

Fiscal year-end audited unrestricted cash balances have provided no less than 167 days of operations from fiscal years 2011-2013. The system's high cash levels are due to the approved automatic rate increases. We expect the system's liquidity will remain strong. The county projects fiscal year-end cash balances remaining after reserves to average $91.7 million from fiscal years 2014-2017. In addition, the system has board-adopted cash policies that include a 90-day operating reserve target and maintaining a $20 million emergency reserve fund. As of Dec. 19, 2013, the emergency reserve fund balance totaled $20 million and the operating reserve balance was approximately $18 million, providing a combined 170 days' cash on hand based on projected fiscal 2014 operations. Management has a target of maintaining at least $60 million in unrestricted cash through fiscal 2018. This does not include the emergency reserve fund or operating reserve. Including these, unrestricted days cash is no lower than 412 days from fiscal years 2014-2018. Because statutes limit the system on how much it can spend annually on expenditures, excess cash above cash balance targets will pay down principal or reduce user rates.

Similar to county-backed COPs issued in 2008 and 2009, which are paid off, Pima issued certificates of participation series 2013A for approximately $80 million in May 2013, of which it will use $60 million for funding system projects. Although no sewer revenues are pledged for the repayment of these COPs, the county intends to repay that portion of the COP issue from the sewer system's available unrestricted cash reserves. The repayment schedule is fixed with the sewer system making payments of $35.6 million in fiscal 2014, $20.2 million in fiscal 2015, and $5.0 million in fiscal 2016. Although total fixed charge coverage based on actual results from fiscal years 2011-2013 exceeded 1.0x, total fixed charge coverage for fiscal 2014, based on county projections, is a slightly insufficient 0.9x, and adequate for fiscal years 2015-2018 at slightly above 1.0x. This assumes Pima will issue $60 million COPs that it will use entirely for sewer-related projects and repay from the system's available unrestricted cash reserves. Our expectation that the system will maintain a strong liquidity position mitigates the insufficient total fixed charge coverage projected for fiscal 2014.

Outlook

The stable outlook reflects our expectation that management will adjust sewer rates and fees as needed to maintain total DSC (Standard & Poor's-calculated, excluding cash balances) at or above 1.3x, while maintaining a strong liquidity position close to forecast. We don't expect to raise the ratings within the two-year outlook period given the county's borrowing plans. We don't expect to lower the rating in that period either, unless the system's liquidity position falls materially below forecast levels.

Related Criteria And Research

Related Criteria

- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept. 15, 2008
- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008

Ratings Detail (As Of January 7, 2014)		
Pima Cnty swr subord (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Pima Cnty swr sys rev rfdg bnds		
Long Term Rating	AA-/Stable	Upgraded
Pima Cnty swr sys (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.