



MEMORANDUM

Date: September 16, 2015

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

From: C.H. Huckelberry
County Administrator 

Re: **Differences in Highway User Revenue Fund (HURF) Bond Funding Amounts Reported**

On September 15, 2015, you provided the attached three documents and during the Board of Supervisors meeting questioned why the documents reported different amounts for remaining HURF revenue bond funding. The first document is the Bond Program Update dated June 30, 2015, which cited \$73.4 million in remaining authorization that has not yet been sold. The second document is based on a report from the Department of Transportation (DOT) dated May 22, 2015 and cites a figure of \$76.5 million of bond authorized funding remaining. If you refer to DOT's table, you will see the \$76.5 million listed as bond funding remaining; however, further down, you will see an additional \$6.3 million categorized as "currently unprogrammed." Therefore, based on DOT's table, the total bond funding remaining should have been the sum of these, \$82.8 million. The primary difference between the June 30, 2015 reported \$73.4 million and the May 22, 2015 reported \$82.8 million is that the June 30 figure did not include bonds sold but not yet spent. The May 22 report includes bond funds sold and not yet spent, as well as bond authorizations not yet sold.

The third document is the Bond Implementation Plan Ordinance for the HURF revenue program and is not comparable at all to the first two documents. The \$79.7 million that you reference on Page 2 was the Fiscal Year 2015/16 through 2017/18 debt service schedule that is identical to the original debt service schedule included in the original Bond Implementation Plan Ordinance first approved in 1997. We do not amend debt service schedules. It was not part of the amendments approved by the Board in April 2015. Debt service is a combination of principal and interest payments and has nothing to with bond funds remaining for the program.

The fourth document is a memorandum dated September 11, 2015 in which I stated that nearly \$80 million of HURF bonds remain unissued. It was a general statement in which I rounded the amount remaining, both unsold and sold but unspent.

CHH/mjk

Attachment

c: The Honorable Chair and Members, Pima County Board of Supervisors
John Bernal, Deputy County Administrator for Public Works
Priscilla Cornelio, Transportation Director
Keith Dommer, Director, Finance and Risk Management

Pima County BOND PROGRAM Update



Annual Report for Fiscal Year 2014/2015
Period Ending June 30, 2015

Introduction

Pima County provides status updates twice a year for recently completed and ongoing bond projects from the most recent bond elections in 1997, 2004, 2006 and 2014. Detailed information about these bond projects is available at www.pima.gov/bonds, including a new interactive map highlighting over 700 bond projects completed since 1997. The 1997, 2004, and 2006 General Obligation (GO) Bond Programs are substantially complete, and the 1997 and 2004 Sewer Revenue (SR) Bond Programs have been completed. This update reports the progress of the 1997 Highway User Revenue Fund (HURF) Bond Program, the 2004 GO Bond Program and the 2014 GO Bond Program, at the end of the County's fiscal year, June 30, 2015.



Theresa Lee Public Health Clinic, completed

Financial Summary

Bond Authorization and Sales

The seven bond authorizations listed below have had 25 bond sales totaling \$1.42 billion, leaving seven percent of the bond authorizations remaining to be sold. Revenue collected from secondary property taxes is used to pay off GO debt on issued bonds. HURF bonds are issued and repaid with taxes received from the State of Arizona's distribution of HURF funds from multiple sources, including the vehicle license tax, fuel tax, motor carrier fees and use taxes. SR bonds are issued and repaid with sewer user and connection fees. For detailed financial information, please refer to the Comprehensive Annual Financial Report (CAFR) at: http://webcms.pima.gov/government/finance_and_risk_management/.

Bond Sales

Bonds	Total Authorization (Millions)	Total Bond Sales (Millions)	Remaining Authorization (Millions)	Percent Remaining
1997 General Obligation	\$ 257.0	\$ 255.4	\$ 1.6	1%
1997 Sewer Revenue	\$ 105.0	\$ 105.0	\$ 0.0	0%
1997 HURF Revenue	\$ 350.0	\$ 276.6	\$ 73.4	21%
2004 General Obligation	\$ 582.2	\$ 576.6	\$ 5.6	1%
2004 Sewer Revenue	\$ 150.0	\$ 150.0	\$ 0.0	0%
2006 General Obligation	\$ 54.0	\$ 53.6	\$ 0.4	1%
2014 General Obligation	\$ 22.0	\$ 4.0	\$ 18.0	82%
Total	\$1,520.2	\$1,421.2	\$ 99.0	7%

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MEMORANDUM

Date: May 22, 2015

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

From: C.H. Huckelberry
County Administrator

Re: 1997 Transportation Bond Program

Misinformation continues to be disseminated regarding the status of the 1997 Highway User Revenue Fund (HURF) bond program. The original \$350 million authorized in the successful November 4, 1997 Bond Election has been effectively managed over the last 18 years. The original 57 projects have been successfully managed to complete much needed highway capacity improvements throughout the Pima County region. The remaining projects are those that are either under the jurisdiction of the City of Tucson, projects actively being pursued by Pima County, or are projects that have been deferred to a future date. All actions to address amendments to the original bond implementation ordinance for this 1997 Bond Election have been conducted in strict conformance with Pima County Code pertaining to bond implementation plan ordinances.

The most recent update and report regarding the Bond Implementation Plan was the April 7, 2015 adoption by the Board of Supervisors of Ordinance 2015-10. All ordinance amendments have been accompanied by specific descriptions of the reasons for any adjustments to project costs or project schedules with the best available information regarding the continued efforts being expended to complete such projects.

As shown in the attached table, the current remaining bond-authorized funding is \$76.5 million. Of this amount, 59 percent is allocated to City of Tucson projects, and an additional 17 percent is for projects actively being advanced by Pima County. Therefore, approximately \$18 million, or 5 percent, of the original \$350 million is currently deferred for possible future projects.

Of the future projects, the Mainsail Boulevard and Twin Lakes Drive project, as well as the Kolb Road, Sabino Canyon to Sunrise Drive project, have not been advanced due to traffic conditions that do not warrant immediate improvements. The Thornydale Road and Kinney Road projects will be advanced in the future. However, in both cases, improvements along this roadway corridor have alleviated the immediate need for traffic capacity improvements.

Therefore, all obligations under the original 1997 HURF Bond program will be met.

CHH/dr

Attachment

c: John Bernal, Deputy County Administrator for Public Works
Priscilla Cornelio, Director, Department of Transportation



1997 HURF Transportation Revenue Bond Program Funding Summary As of May 14, 2015



Sup. District	Bond No	Project	Current Bond Ordinance #2015-10 (May 2015)	Bond Funding Expended (May 14, 2015)	Bond Funding Remaining (May 14, 2015)	Comments (May 14, 2015)
* ACTIVE PROJECTS						
1	DOT-06		3,750,000	2,809,078	940,922	In CONSTRUCTION
2	DOT-11	Drexel Road, Tucson Boulevard to Alvernon Way	2,500,000	2,192,538	307,462	Substantially Complete, remaining funds on hold should need arise for additional improvements.
1	DOT-18	*Cortaro Farms Rd, UPRR to Thornydale Road	10,401,320	10,210,958	190,362	In DESIGN
1	DOT-23	Thornydale Road, Cortaro Farms Road to Linda Vista Boulevard	1,000,000	90,244	909,756	FUTURE
1	DOT-24	Mainsail Boulevard and Twin Lakes Drive, Twenty-Seven Wash Vicinity	2,700,000	240,643	2,459,357	FUTURE
2 & 4	DOT-29	*Houghton Road, Golf Links Road to Interstate 10	20,000,000	7,686,364	12,313,636	Now an RTA project managed by City of Tucson. Portions of project in Planning/Design phase. CONSTRUCTION completed at Old Val Road/Mary Ann Cleveland Way intersection and from Irvington to Valencia.
1	DOT-32	Kolb Road, Sabino Canyon Road to Sunrise Drive	10,000,000	2,852,078	7,147,922	FUTURE
1	DOT-44	Orange Grove Road, Thornydale Road to Oracle Road	15,000,000	10,576,295	4,423,705	Substantially Complete, remaining funds on hold should need arise for additional improvements.
3 & 5	DOT-50	Kinney Road, Ajo Way to Bopp Road	3,800,000	963,828	2,836,172	FUTURE
2	DOT-53	*Old Tucson-Nogales Highway - Summit Neighborhood	1,100,000	744,818	355,182	In CONSTRUCTION
2 & 5	DOT-56	*Broadway Boulevard, Euclid Avenue to Campbell	25,000,000	1,347,247	23,652,753	In DESIGN, Now an RTA project managed by City of Tucson
ALL	DOT-57	*Safety Improvements	32,683,414	20,887,188	11,796,226	ONGOING DESIGN / CONSTRUCTION PROJECTS
2	DOT-58	*Kino Parkway Overpass at 22nd Street	10,000,000	768,250	9,231,750	In DESIGN, Now an RTA project managed by City of Tucson
			TOTALS = \$	\$ 61,409,529	\$ 76,525,205	
			Expended on Completed or Retired Projects	\$ 205,778,203		
			Expended ALL projects to Date	\$ 267,187,732		
			Bond Funding Remaining	\$ 76,525,205		
			Currently unprogrammed	\$ 6,287,053		
			TOTAL 1997 HURF Bonds	\$ 350,000,000		

no highlight = Active PCDDOT projects in DESIGN or CONSTRUCTION	47,934,734	34,852,042	13,282,692
light green highlight = PCDDOT FUTURE projects	35,000,000	16,935,626	18,064,374
light blue highlight = Active COT projects in DESIGN	55,000,000	9,821,861	45,178,139
TOTALS = \$	\$ 61,409,529	\$ 61,409,529	\$ 76,525,205

REMAINING BONDS SUMMARY			
BOND FUNDING REMAINING = \$	76,525,205	100.0%	
CURRENTLY ACTIVE PROJECTS PCDDOT =	13,282,692	17.4%	
CURRENTLY ACTIVE PROJECTS CITY OF TUCSON =	45,178,139	59.0%	
FUTURE Projects =	18,064,374	23.6%	

NOTE 1: 1997 Bond expenditures are being programmed at a spending rate that will not cause DOT's debt service to increase above \$19 M.

NOTE 2: Currently unprogrammed amount of \$6,287,063 includes \$3,464,572 of funds not assigned in the current ordinance. Remaining amount are available funds from completed or retired projects.

FROM APRIL 7, 2015
- ADOPTED .

ORDINANCE 2015-10__

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY ARIZONA RELATING TO HIGHWAY USER REVENUE FUND REVENUE BOND PROJECTS AMENDING ORDINANCE NUMBER 1997-80 BOND IMPLEMENTATION PLAN, NOVEMBER 4, 1997 SPECIAL ELECTION (AS AMENDED SEPTEMBER 22, 1998 BY ORDINANCE NO. 1998-59, AUGUST 20, 2001 BY ORDINANCE NO. 2001-112, DECEMBER 14, 2004 BY ORDINANCE NO. 2004-118, OCTOBER 11, 2005 BY ORDINANCE NO. 2005-90, APRIL 4, 2006 BY ORDINANCE NO. 2006-20, OCTOBER 17, 2006 BY ORDINANCE NO. 2006-83, NOVEMBER 6, 2007 BY ORDINANCE NO. 2007-93, APRIL 21, 2009 BY ORDINANCE NO. 2009-39 OCTOBER 6, 2009 BY ORDINANCE NO. 2009-91, APRIL 13, 2010 BY ORDINANCE NO. 2010-22, OCTOBER 19, 2010 BY ORDINANCE NO. 2010-62, APRIL 5, 2011 BY ORDINANCE NO. 2011-20, OCTOBER 18, 2011 BY ORDINANCE NO. 2011-77, AND APRIL 17, 2012 BY ORDINANCE NO. 2012-19, AND MAY 7, 2013 BY ORDINANCE NO. 2013-23) FOR THE PURPOSE OF AMENDING IMPLEMENTATION PERIODS FOR CERTAIN BOND PROJECTS AND AUTHORIZING THE USE OF ADDITIONAL OTHER FUNDS TO FINANCE CERTAIN BOND PROJECTS.

WHEREAS, the Board of Supervisors adopted Chapter 3.06 of the Pima County Code titled "Bonding Disclosure, Accountability and Implementation"; and,

WHEREAS, in compliance with Chapter 3.06, the Board of Supervisors adopted Ordinance Number 1997-80, the "Transportation Bond Improvement Plan, November 4, 1997 Special Election"; and,

WHEREAS, the Board of Supervisors, on September 22, 1998 enacted Ordinance Number 1998-59 and on August 20, 2001 enacted Ordinance Number 2001-112 and on December 14, 2004 enacted Ordinance Number 2004-118 and on October 11, 2005 enacted Ordinance Number 2005-90 and on April 4, 2006 enacted Ordinance Number 2006-20 and on October 17, 2006 enacted Ordinance Number 2006-83 and on November 6, 2007 enacted Ordinance Number 2007-93 and on April 21, 2009 enacted Ordinance Number 2009-39 and on October 6, 2009 enacted Ordinance Number 2009-91 and on April 13, 2010 enacted Ordinance Number 2010-22 and on October 19, 2010 enacted Ordinance Number 2010-62 and on April 5, 2011 enacted Ordinance number 2011-20, and on October 18, 2011 enacted Ordinance number 2011-77, and on April 17, 2012 enacted Ordinance number 2012-19, and on May 7, 2013 enacted Ordinance number 2013-23 amending Ordinance Number 1997-80 in compliance with provisions of Chapter 3.06; and,

WHEREAS, the Board of Supervisors desires to amend Ordinance Number 1997-80 (as previously amended) in compliance with provisions of Chapter 3.06:

NOW THEREFORE, IT IS HEREBY ORDAINED by the Board of Supervisors of Pima County, Arizona:

Ordinance Number 1997-80 (as previously amended), is hereby amended as follows:

Be it ordained by the Board of Supervisors of Pima County, Arizona, as follows:

I. Purpose

The purpose of this ordinance is to comply with Chapter 3.06 of the Pima County Code regarding bonding disclosure, accountability and implementation. On August 5, 1997, the Board of Supervisors adopted Resolution No. 1997-152 ordering and calling a special election on November 4, 1997, asking voter authorization to issue \$350 million in transportation revenue bonds secured by the County's annual Highway User Revenue Fund (HURF) revenues. This Transportation Bond Improvement Plan sets forth the particulars regarding each project proposed to be constructed, setting forth the amount of bond funds to be allocated to each project, along with an estimated time frame for implementing the particular project.

This Transportation Bond Improvement Plan shall become effective only if a majority of voters casting ballots in the November 4, 1997 special election authorize the issuance of bonds. In the event the electorate votes to not authorize issuance of the proposed transportation revenue bonds, Ordinance No. 1997-80 shall no longer be in force.

II. Schedule of Bond Sales, Debt Retirement Schedule, and Tax Impact of Issuing \$350 Million in New HURF Transportation Revenue Bonds

A. Schedule of Bond Sales

The total value of HURF revenue bonds being submitted to the voters for approval is \$350 million. If approved by the voters, sales of revenue bonds will be scheduled, beginning in early 1998. All projects should be completed within sixteen years from the date of voter authorization. Shown below is an original schedule of sales.

Table 1
Proposed Schedule of Transportation Revenue Bond Sales

<u>Date of Sale</u>	<u>Amount of Sale</u>	<u>Cumulative Total</u>
January 1998	\$ 40,000,000	\$ 40,000,000
January 2000	60,000,000	100,000,000
January 2002	60,000,000	160,000,000
January 2004	60,000,000	220,000,000
January 2006	60,000,000	280,000,000
January 2008	70,000,000	350,000,000

The first sale of HURF Revenue Bonds occurred in June 1998, for \$40,000,000, which was less than the \$60,000,000 originally projected in the Bond Improvement Plan (this ordinance was amended on September 22, 1998 to reflect this change). Expenditure of these bonds has not taken place at the rate originally anticipated and projections are that they will not be completely expended until sometime in calendar year 2001. This rate of expenditure caused the County to fall out of compliance with federal arbitrage rules and the County will pay back interest earning to the Internal Revenue Service. This experience strongly recommends that the County provides itself with flexibility to sell bonds more frequently or in years other than stated in Table 1 above and to sell bonds in smaller, more targeted amounts than projected in Table 1. If

exercised, the intent of this flexibility would be to provide for more focused cash flow management and the avoidance of arbitrage entanglements. It is anticipated at this time that the overall time period of this bond package will be increased by four years.

In order to ensure continued public accountability in the scheduling of bond sales, Pima County will publish an annual report at the end of each fiscal year that updates the status of bonds sold, the anticipated schedule of future bond sales; identifies the strategic and tactical grounds for the proposed schedule; explains in detail any changes that occurred from the previous projected schedule; and updates, when necessary, the debt retirement schedule information presented in section "B" below.

B. Debt Retirement Schedule

The firm of Rauscher Pierce Refsnes, Inc. prepared the following analysis of debt retirement schedule for a \$350 million revenue bond program. In preparing its analysis, the firm relied upon the following assumptions: 1) five sales in aggregates of \$60,000,000 occurring every two years, with the last sale being for \$50,000,000; 2) ten year maturity on all bonds sold; 3) an interest rate of 6.5 percent; 4) an aggressive retirement of principal in the early years to keep interest payments to a minimum; and 5) bond debt period will be limited to ten years to minimize the amount of interest paid for debt service. Limiting the term of bond debt to 10 years rather than the more customary 15 years will reduce total interest payments by 37 percent.

Table 2

Bond Payment Requirements

<u>Fiscal Year</u>	<u>Total Debt Service</u>
1998/99	\$ 13,250,000
1999/00	18,421,000
2000/01	19,222,000
2001/02	19,935,500
2002/03	20,717,500
2003/04	21,544,400
2004/05	22,409,400
2005/06	23,335,400
2006/07	24,269,400
2007/08	25,275,800
2008/09	26,325,700
2009/10	27,430,100
2010/11	28,594,600
2011/12	29,813,700
2012/13	31,091,600
2013/14	32,436,600
2014/15	33,850,800
2015/16	35,330,400
2016/17	35,331,000
2017/18	9,010,000
Total	\$497,594,900

\$79,671,900



MEMORANDUM

Date: September 11, 2015

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

From: C.H. Huckelberry
County Administrator *CHH*

Re: Highway User Revenue Fund Receipts Per Capita among Arizona Counties

The attached table indicates Pima County ranks 12th out of the 15 counties in Arizona in per capita receipt of Highway User Revenue Fund (HURF) revenues. While we have the largest service population in the unincorporated area for transportation, we receive a disproportionately low share of HURF. This data is another indicator of underfunding HURF, particularly in counties with a large metropolitan population. Our declining and swept HURF are the primary reason that nearly \$80 million of HURF bonds remain unissued and are likely to remain unissued for some time.

The present statutory distribution formula for HURF is slanted toward Maricopa County, despite Maricopa's having approximately the same number of road miles to maintain as Pima County. Maricopa County receives more than twice the amount of HURF than Pima County. If the State Legislature continues to refuse to consider increases in HURF, perhaps it will be time to re-evaluate the distribution formulas.

CHH/lab

Attachment