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RAY CARROLL
COUNTY SUPERVISOR
DISTRICT 4

Date: December 29, 2009

To: C. H. Huckelberry, County Administrator

From: Ray Carroll
District 4

Re: Your December 28, 2009 Memo on County Debt

I have received your December 28, 2009 memo in response to the Bond Advisory Committee's request that you address issues concerning Pima County Bond Indebtedness and its implications for a 2010 Bond Election. I appreciate the committee members request for a response, and fully support their suggestion that the Board of Supervisors places the item on a Board agenda to discuss these issues openly. I hope that you or Chairman Elias will do so as soon as possible. As you know, I have been asking many of these questions since last October.

You listed five items, each of which has my questions below:

1. Use of General Fund as Pass-through of Debt Service Payments for Certificates of Participation (COP).

Why does Pima County transfer funds (wastewater connection fees, development impact fees, non-General Fund department rents) into the General Fund before using them to pay off Certificates of Participation?

In Item 4, sub-Item 4 you state that ***"temporary COP financing was to permit the use of impact and connection fees for construction rather than using bonds. The use of impact and connection fees is limited by the Constitutional expenditure limitation."***

If these funds cannot be spent to pay off COPs without violating the Constitution, is it appropriate to transfer these funds to the General Fund and then use them to pay off COPs?

2. Total County Debt.

I appreciate your acknowledgement of my point about trying to determine the TOTAL Pima County debt, including principal plus interest. Your currently listed **$1,076,974,325** debt figure is substantially more than your original "reported indebtedness" of only **$757 million**.

As my memo indicated, the figures you provided in your memo (11-13-09) lists a total debt of **$1,682,398,235** (including Long Term Debt, unused G.O. Bonds, 1997 HURF Bonds, Sewer Revenue Bonds, and COP bonds).

In paragraph 5 of your response you seem to avoid a critical point, suggesting that we should disregard *"potential future debt"* because it represents bonds that have yet been sold. However, they have been AUTHORIZED to be sold by the voters, including both the principal and interest on those unsold bonds.

As indicated in my November 24, 2009 communication (page 3) I stated:

"Although bonds authorized by the voters but not yet sold will not technically become 'debt' until the bonds are sold, these bonds must be sold in order for the voter – authorized projects to be completed. Therefore, these bonds must be sold and will constitute a major portion of Pima County's debt in the FY08-09 to FY 2025-26 time frame covered by the Administrator's report."

Therefore, the only way that the **$1,682,398,235** debt could not be real is if Pima County has no intention of delivering the bond projects that were promised.

<u>Have our promised projections for delivering and **fully completing** all bond projects been changed, reduced, or eliminated?</u>

<u>3. Growth Paying for Itself.</u>

You dispute my contention that "the County debt will be the responsibility of our children" to pay, claiming that my statement is "not true."

Since there are bond projects currently scheduled to be constructed "beyond 2023," the bonds for their construction will be sold at the time of construction.

The 15-year bonds you reference will not be paid off at least until 2038.

According to biblical (and most people's) definition, <u>twenty-eight years in the future is the next generation</u>.

<u>4. Adopt Pay-as-you-Go System.</u>

As I clearly indicated in my memo, I suggested that "Pay-as-you-go" was *"one solution to Long Term Debt"* to be used *"until some of our debt is paid down."* I never suggested that future bonds should never be considered.

As you know, I have always supported voter approved bonds elections in the past. My opposition has always been to non-voter approved Certificates of Participation which bypasses the voters, as well as ignoring any consideration by the Bond Advisory Committee members and their recommendations. As you know, tens of millions of dollars in COP debt has been issued based on your recommendations alone and with a vote of the Board majority.

With the current economic slump, and the fact that for every one dollar worth of construction, it costs the taxpayer approximately $1.30 to pay back bonds, I seriously question the timing of a 2010 Bond Election at this time.

Finally, you state that the Constitutional limitations on expenditures for Fiscal Year 2009/10 are limited to $506 million annually, but *"exempts debt payments from the limitation in order for jurisdictions to borrow funds to construct capital projects."*

To be exempt from the Constitutional expenditure limitation, does not the debt first have to be voter-approved? Or is there no limit on this exemption/loophole?

I appreciate your response, and am especially thankful to the Bond Advisory Committee for their attention to my concerns, their request for answers, and their suggested placement on the Board of Supervisor's agenda of these issues at the earliest possible availability.

c: Board of Supervisors
Bond Advisory Committee