



MEMORANDUM

Date: February 11, 2016

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

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **February 16, 2016 Agenda Item 10 – Issuance of Certificates of Participation**

The February 16, 2016 Board of Supervisors agenda includes a request for Board approval of three issuances of Certificates of Participation (COPs). This memorandum responds to a request for information from Supervisor Miller.

In reviewing the outstanding COPs over the years, it is clear our COPs debt length is relatively short (see attached). For example; a review of the number of COPs issued through 2015 indicates the amount is approximately \$251 million. The outstanding balance as of June 30, 2015 is \$166 million, and the present outstanding balance is \$139 million. Hence, \$111.5 million in debt has been repaid in a very short period.

The best example of the short-term debt is on the February 16, 2016 agenda; approximately \$20 million of the proposed COPs are related to the Regional Wastewater Reclamation Department's Capital Maintenance and Improvement Program. As has been stated on numerous previous occasions, this debt is no longer than three years and is for the purpose of ensuring compliance with State expenditure limits. This \$20 million issue will be fully repaid in three years.

Another portion of the debt requested is simply refinancing the COPs used to purchase the Bank of America Building in 2007. This refinancing is occurring because favorable interest rates are available to lower the financing cost of the remaining principal balance. The market conditions associated with bond financing today will not only allow the County to save nearly \$1 million in future payments, it will also result in retirement of the outstanding debt on the Bank of America Building purchase in six years, rather than the seven years remaining in the original debt offering. This is a classic example of the County's retiring debt early and receiving interest rates that are most favorable to the taxpayers.

In addition, a \$15 million COPs issuance is related to construction of the World View manufacturing facility. The risk associated with this transaction is very low, and the potential return very high. The World View COPs investment is an investment in our region's economic future; something that has proven to be economically beneficial to the County, based on our investments in Ventana Medical Systems, HomeGoods, Accelerate Diagnostics, and a number of economic development job-creating opportunities. To not

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **February 16, 2016 Agenda Item 10 – Issuance of Certificates of Participation**
February 11, 2016
Page 2

invest in such activities would be shortsighted. Each of these investments has resulted in positive economic benefits for the community in increased jobs, income, and related economic activity.

Finally, no additional buildings are being added as collateral to secure the requested COPs, since the appraised value of the buildings exceeds the COPs issuance amount.

CHH/mjk

Attachment

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management

Pima County, Arizona

Outstanding Certificates of Interest and Pledged Collateral

Prepared: February 10, 2016

COPs Issuance	Amount Issued	Date of Issue	Final Maturity	6/30/15 Outstanding Balance	11/2015 and 12/2015 Principal Payments	1/01/16 Outstanding Balance
2007 COPS-A	28,765,000	5/1/2007	7/1/2022	16,835,000	-	16,835,000
2010 COPS	20,000,000	2/4/2010	6/1/2019	9,830,000	-	9,830,000
2013A COPS	80,175,000	5/22/2013	12/1/2022	24,195,000	6,790,000	17,405,000
2013B COPS	12,705,000	5/22/2013	12/1/2017	7,955,000	2,520,000	5,435,000
2014 COPS	52,160,000	2/12/2014	12/1/2028	50,405,000	2,585,000	47,820,000
2015 COPS	57,025,000	4/15/2015	12/1/2018	57,025,000	15,000,000	42,025,000
	250,830,000			166,245,000	26,895,000	139,350,000

COLLATERAL

The collateral for the 2007 COPS is the Bank of America Building that was purchased with the proceeds of the COPS.

The collateral for all other COPS including the proposed COPS #1 and #3 on the February 16, 2016 BOS agenda consists of the Public Works Building and parking garage, the Legal Services Building, the Public Service Center and parking garage, and the Adult Detention Center.