ORDINANCE NO. 2018 - 26

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ADOPTING THE BOND IMPLEMENTATION PLAN FOR THE NOVEMBER 6, 2018 BOND ELECTION PROPOSITION 463 REGIONAL ROAD RECONSTRUCTION, PRESERVATION AND REPAIR

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

1. Purpose of this Ordinance

The purpose of this ordinance is to comply with Chapter 3.06 of the Pima County Code regarding bonding disclosure, accountability and implementation ("County Code"). County Code requires that prior to the start of early voting for a bond election called by the Board of Supervisors pursuant to A.R.S. § 35-452, the Board of Supervisors shall adopt by ordinance a "bond implementation plan." On July 3, 2018 the Board of Supervisors approved Resolution No. 2018-43 ordering a bond election for November 6, 2018 to submit to the voters of Pima County a proposition authorizing the County to sell $430,000,000 in general obligation bonds to fund reconstruction, preservation and repair of roads throughout Pima County and within its incorporated cities and towns ("municipalities"). This ordinance is subject to amendment by the Board of Supervisors, as provided in County Code, only after notice and public hearing. Amendments must also be reviewed by the Pima County Bond Advisory Committee and Transportation Advisory Committee at publicly noticed meetings. Any amendment must ensure that the bond proceeds are used for the purpose stated in the actual ballot proposition presented to voters, which is for the purpose of reconstructing, preserving and repairing existing public roads and highways. Therefore, use of the bond proceeds for these purposes cannot be changed.

2. Ballot Proposition and Purpose for which Bonds are to be Sold

Proposition No. 463
Regional Road Reconstruction, Preservation and Repair

Shall Pima County, Arizona be authorized to issue and sell general obligation bonds of the County in an aggregate principal amount not exceeding $430,000,000 for the purpose of reconstructing, repairing and preserving existing public roads and highways in the County, including paying all expenses properly incidental thereto and to the issuance of such bonds? The bonds are to be issued in one or more series, maturing not less than one year (or portion thereof) and not more than 10 years following the date of issuance of each such series, bearing interest at a rate or rates not higher than 6 percent per annum and sold at prices that may include a premium not greater than that permitted by law.

3. Project Summary

County Code requires that all projects the County intends to construct with the bond proceeds be described in the bond implementation plan. In the case of Proposition 463, there is only one project, which is Regional Road Reconstruction, Preservation and Repair. To ensure compliance with County Code, the project is summarized as follows:

Project: Regional Road Reconstruction, Preservation and Repair

Location: Paved roads within unincorporated Pima County and its municipalities.

Scope: Reconstructing, repairing and preserving paved roads using the following qualifying treatment types: mill and overlay, structural overlay, and reconstruction. Under this definition, reconstruction, repair and preservation of roadways is only applicable to the pavement section (width between curbs or width between edges of existing pavement for un-curbed roads) and federally required Americans with Disabilities Act (ADA) infrastructure improvements (curb ramps only) required by the application of a particular repair or preservation treatment. Bond proceeds are limited to construction costs directly related to pavement reconstruction, repair and preservation. Intergovernmental agreements (IGAs) with municipalities will define all reimbursable expenses prior to the initiation of any work or expenses.

Bond Funding: $430 million

Implementation Schedule: Fiscal Year 2019/20 through Fiscal Year 2027/28. However, the intent is to sell the bonds and repair roads more quickly if the secondary property tax base grows faster than forecasted, interest rates are favorable, and contractors have the capacity to repair roads more quickly.

Project Manager: Pima County will manage projects in unincorporated Pima County. Municipalities will manage projects within municipalities per Intergovernmental Agreements with Pima County. Exceptions to this may occur for roads located in multiple jurisdictions, as stated in Section 4.4.

Future Operating and Maintenance Costs: Pima County will be responsible for roads maintained by the County. For roads reconstructed and repaired in unincorporated Pima County with bond proceeds, the County estimates it will cost $1.5 million in operating and maintenance costs for the first year after the bond proceeds are spent. The calculation of these costs is limited to preserving the pavement improved by the bond proceeds as other roadway operating and maintenance costs are borne by the County regardless of the bond program. The source of revenue will be County State-shared transportation revenues from Highway User Revenue Funds (HURF) and Transportation Vehicle License Taxes (VLT) collected by the State and distributed to cities, towns and counties. Municipalities will be responsible for roads maintained by the municipalities.

Regional Benefits: Improved road conditions will reduce vehicle operating and maintenance costs, improve comfort and safety, and make our community more desirable for existing residents and businesses, as well as businesses considering relocating to the region. TRIP, a national transportation research organization, estimates that poor road conditions cost Tucson drivers $542 more a year in vehicle operating and maintenance costs.

4. Implementation

4.1. Distribution of Bond Proceeds among Municipalities and Pima County

The County will share the proceeds from the sale of voter-authorized bonds with its municipalities. The distribution, as shown in Table 1, will be based on each municipality's and unincorporated Pima County's population expressed as a percentage of the County's total population, plus each municipality's and unincorporated Pima County's Taxable Net Assessed Value expressed as a percentage of the County's total Taxable Net Assessed Value, divided by two. Municipality population estimates are based on the U.S. Census Bureau population estimates for July 1, 2017. Taxable Net Assessed Valuation is determined by the Assessor's 2018 Levy Limit Worksheet Taxable Net Assessed Valuations for Pima County overall and the Cities of South Tucson and Tucson, and the Clerk of the Board of Supervisors 2018 Abstract of Values by Legislative Class of Property Taxable Net Assessed Valuations for the Towns of Marana, Oro Valley, and Sahuarita.

Each municipality may choose to delay some or all of its share of funding in a given fiscal year, but is not required to do so. If this occurs, the municipality will still ultimately be entitled to its full share of funding as shown in Table 1.

Table 1
Distribution of Bond Proceeds

Jurisdiction	Taxable Net Assessed Valuation[1]	% of Overall County Tax Base	July, 1 2017 Census Population Estimates	% Population	% of Tax Base + % of Population Divided by Two[2]	$430 million GO Bonds	Distribution Per Jurisdiction[3]
Marana	$ 645,311,769	7.74%	44,792	4.38%	6.06%	$ 430,000,000	$ 26,058,000
Oro Valley	$ 535,042,025	6.42%	44,350	4.34%	5.38%	$ 430,000,000	$ 23,134,000
Sahuarita	$ 233,877,438	2.81%	29,318	2.87%	2.84%	$ 430,000,000	$ 12,212,000
South Tucson	$ 22,169,911	0.27%	5,643	0.55%	0.41%	$ 430,000,000	$ 1,763,000
Tucson	$ 3,414,161,333	40.97%	535,677	52.38%	46.67%	$ 430,000,000	$ 200,681,000
Unincorporated Pima	$ 3,483,330,430	41.80%	362,989	35.49%	38.64%	$ 430,000,000	$ 166,152,000
Total	$ 8,333,892,906	100.00%	1,022,769	100.00%	100.00%	$ 430,000,000	$ 430,000,000

[1]Sources: Pima County Assessor 2018 Levy Limit Worksheet for Overall Pima County, South Tucson, and Tucson valuation. Pima County Clerk of the Board of Supervisors, 2018 Abstract of Pima County Clerk of the Board of Supervisors, 2018 Abstract of Values By Legislative Class of Property for Marana, Oro Valley, and Sahuarita valuation.

[2]Rounded to two decimal points

[3]Amount shown does not reflect 1 percent of the bond proceeds that will be retained by the County to cover a proportional share of bond issuance costs, or any additional bond proceeds that may be retained to cover costs that the County may incur establishing roads as county highways as required by State statute.

4.2. Unincorporated Pima County

4.2.1. Overall County Road Repair Goal

The County's overall goal for road repair is to fully repair and preserve all 1,891 miles of paved County-maintained roadways within ten years so that the County's annual State-shared transportation revenues (HURF/VLT) will be sufficient to fully fund preservation of improved roads in subsequent years. The County's share of bond proceeds will be spent on repairing the worst of these roads within the first five years.

4.2.2. Objectives

Objective 1— Implement a County Road Repair Plan in first five years (2019-2023)

The $166 million unincorporated County allocation of bond proceeds, along with an estimated $78 million in County State-shared transportation revenues (HURF/VLT) will fund a five-year "County Road Repair Plan."

Objective 2—Secure additional funding for second five-years (2024-2028)

To fully repair and preserve all unincorporated County-maintained paved roads within ten years, it will be necessary to secure an estimated additional $166 million to fund a second five years of road repairs. If the County has not identified another source of revenue by the end of year-three of the County Road Repair Plan, the County Administrator will prepare for the Board of Supervisors the necessary materials to call another general obligation bond election, which if authorized by voters, would provide the necessary additional funding.

4.2.3. Qualifying Treatment Types for Bond Funded Portion of County Road Repair Plan

The County Road Repair Plan includes activities solely related to the reconstruction, repair and preservation of County-maintained paved roadways to significantly improve pavement conditions. Pavement conditions are rated using the Pavement Surface Evaluation and Rating (PASER) system. The PASER scale runs from 1 to 10, with 1 being a road in failed condition and 10 being a road in very good condition. Approximately 70 percent of the road miles are in poor or failed condition, and approximately 30 percent are in fair to very good condition. Qualifying treatment types for the County's share of bond proceeds are mill and overlay, structural overlay, and reconstruction. Under this definition, reconstruction, repair and preservation of roadways is only applicable to the pavement section (width between curbs or width between edges of existing pavement for un-curbed roads) and federally required Americans with Disabilities Act (ADA) infrastructure improvements (curb ramps only) required by the application of a particular repair or preservation treatment.

4.2.4. Roadway Selection Criteria for Bond Funded Portion of County Road Repair Plan

The County will annually prioritize roads for reconstruction, repair and preservation using an automated model developed by the Transportation Department that relies upon available annual funding and the following selection criteria:

- Group road segments requiring similar treatment types by Township, Section & Range, subdivision, street name and address range to create work zones, minimizing segmented repairs to reduce public inconvenience and construction costs.
- Update PASER ratings annually
- Repair or reconstruct roads with the worst PASER rating first using bond proceeds available annually

By implementing the County Road Repair Plan in the first five years, it is anticipated that the County's share of bond proceeds will be sufficient to repair or reconstruct an estimated 560 miles of the worst roads.

4.2.5. Annual List of Roads

On an annual basis, the Transportation and Finance Departments will determine the total amount of bonds to be sold and the County's share of proceeds from that bond sale based on the distribution formula and whether or not all of the municipalities intend to spend their full share for that year. The Transportation Department will then use the above selection criteria to develop a recommended "Annual List of Roads" to be treated with these revenues. The recommended lists will be reviewed by the Transportation Advisory Committee, adjusted if necessary, and recommended and transmitted to the Board of Supervisors for approval.

4.2.6. Procurement

After Board approval of the Annual List of Roads, the Transportation Department will work with Pima County's Procurement Department to prepare bid packages, bid the projects, and process contacts awarded by the Board of Supervisors.

4.3. Intergovernmental Agreements with Municipalities

Pima County will enter into IGAs with the municipalities, which will memorialize expectations and commitments for eligible reimbursable expenses, annual budgeting, communications, quarterly reimbursement, compliance with federal arbitrage regulations, reporting, record keeping and auditing. Bond proceeds are limited to construction costs directly related to pavement reconstruction, repair and preservation. IGAs with municipalities will define all reimbursable expenses prior to the initiation of any work or expenses. Each municipality will be responsible for contracting work within its municipal boundaries. Each municipality must report at least semi-annually which roads were treated with revenue reimbursed from the bond proceeds and annually submit updated roadway condition ratings to the Pima Association of Governments.

Each IGA also will include:

1. A "Bond Plan" developed by the municipality and reviewed and recommended by the Transportation Advisory Committee, to include the selection criteria the municipality will use to identify which roads to repair with the municipality's total share of bond proceeds over a maximum of nine years.

2. An "Annual List of Roads" to be developed by the municipality and reviewed and recommended by the Transportation Advisory Committee, for roads and that will be reconstructed, repaired or preserved with bond proceeds available for that year. IGAs will be amended annually to identify the bond proceeds for that year, incorporate the Annual List of Roads to be treated for that year, and comply with the applicable Arizona state statutes for deeming those roads to be county highways or establishing them temporarily as county highways solely for the purpose of spending these bond proceeds.

3. Identification of treatment type for each road included in the Annual List of Roads. Qualifying reconstruction, repair and preservation treatment types include mill and overlay, structural overlay, and reconstruction. Under this definition, reconstruction, repair and preservation of roadways is only applicable to the pavement section (width between curbs or width between edges of existing pavement for un-curbed roads) and federally required Americans with Disabilities Act (ADA) infrastructure improvements

(curb ramps only) required by the application of a particular repair or preservation treatment.

4.4 Coordination for Repair of Roads Located in Multiple Jurisdictions

Segments of the same road may be located in more than one city or town, or may be located within unincorporated Pima County and a city or town. If there is agreement that such a road should be repaired with these bond proceeds, then project management, treatment type and funding will be coordinated and memorialized via IGAs executed by each governing body, and only after review by Pima County's Transportation Advisory Committee. State routes may also be located in more than one city or town, or within unincorporated Pima County and a city or town. If there is agreement that such a road should be repaired with these bond proceeds, then project management, treatment type and funding will be coordinated and memorialized via IGAs executed by each governing body, including the Arizona Department of Transportation, and only after review by Pima County's Transportation Advisory Committee.

4.5. Reporting and Auditing

The County Administrator or designee will track and report the amount of revenue received from the sale of these bonds, the amounts deposited to the Capital Projects Fund, and all expenditures of monies in the Capital Projects Fund, in the County's financial statements that are audited annually by the Arizona Auditor General's Office.

Per County Code, the County Administrator or designee also will prepare semi-annual reports on the bond implementation plan progress and transmit such reports to the Bond Advisory Committee and Board of Supervisors. These reports will incorporate information reported by the municipalities. Prior to transmitting the semi-annual reports to the Bond Advisory Committee and the Board, the semi-annual reports will be provided to the Transportation Advisory Committee. In addition to the required content stated in County Code, each semi-annual progress report will include an electronic map and list of all roads treated with the bond proceeds. The end of year reports will also include a summary of updated roadway conditions for each municipality and unincorporated Pima County.

4.6. Role of the Pima County Transportation Advisory Committee

The Pima County Transportation Advisory Committee has reviewed and provided input on the County's Road Repair Plan for unincorporated Pima County included in this ordinance, and will review, provide input, and recommend the County's Annual List of Roads. The Transportation Advisory Committee will review, provide input, and recommend Bond Plans and the Annual List of Roads submitted by each municipality. The Transportation Advisory Committee will review and provide comments on the semi-annual progress reports prior to the reports being transmitted to the Bond Advisory Committee. The Transportation Advisory Committee will review and make recommendations on all proposed amendments to this ordinance prior to the amendments being transmitted to the Bond Advisory Committee.

4.7. Role of the Pima County Bond Advisory Committee

Per County Code, the Pima County Bond Advisory Committee will review and approve the semi-annual progress reports prior to the reports being transmitted to the Board of Supervisors. The Bond Advisory Committee will review and make recommendations to the Board of Supervisors on all proposed amendments to this ordinance.

4.8. Role of the Board of Supervisors

The Pima County Board of Supervisors will be responsible for approving the County's Road Repair Plan for unincorporated Pima County by way of adopting this ordinance, approving the Annual Road List for unincorporated Pima County, approving IGAs with municipalities that include a Bond Plan, approving amendments to those IGAs that will include each municipality's Annual Road List, approving the annual sale of bonds, and awarding contracts. Pursuant to County Code regarding bonding disclosure, accountability and implementation, the Board of Supervisors will receive semi-annual bond program updates and will approve any amendments to this ordinance that the Board deems necessary.

4.9. Role of the Pima Association of Governments

The County Administrator or designee will prepare and negotiate an IGA with Pima Association of Governments (PAG), such that the County and its municipalities annually report updated road conditions to PAG in a uniform manner, and PAG maintains a database and map of regional road conditions that is accessible to the public via its website. In addition, PAG would serve in a technical advisory capacity for Pima County or the municipalities during project implementation, on an as needed basis.

4.10. Cost Estimates

County Code requires that the bond implementation plan explain how cost estimates were derived, the potential for actual costs to increase or decrease from estimated costs, the certainty or uncertainty that other sources of funding will be secured and options available if the other funding sources are not secured.

Cost estimates relied upon for the County's Road Repair Plan for unincorporated Pima County are derived from recent Pima County project construction costs, indexed for inflation by "Chained Price Index for State & Local Investment in Highways and Streets" reported by the U.S. Bureau of Economic Analysis. If other funding sources are not secured, it will take Pima County more than 10 years to reconstruct, repair and preserve all paved County-maintained roads, and the cost to do so will increase. Municipalities will be responsible for developing their own cost estimates.

5. Managing the Sale of Bonds

County Code requires that the bond implementation plan include a strategy for managing the sale of the bonds, including discussion of the factors upon which the County will base decisions on the timing, size and terms of the bond sales, and any commitments for limiting the secondary property tax rate and the impact of the sale of the bonds on property taxes.

Voting for bonds at the November 6, 2018 election does not incur debt, but only authorizes the County to issue bonds and incur new debt in the future. The total dollar amount of each bond sale and the number of bond sales will be constrained by the commitment to not increase the secondary tax rate above the current rate of $0.69 per $100 of taxable net assessed value, the value of the secondary property tax base over time, interest rates and repayment periods, and the capacity of the County, its municipalities, and private contractors to deliver the road improvements.

5.1. No Increase in Property Tax Rate to Repay Bond Debt

General obligation bond debt authorized by the voters is secured by the "full faith and credit" of Pima County, which means the County pledges to retire the debt through an annual levy of a secondary property tax assessment against the value of all taxable property in Pima County. As shown in Table 3, the County is repaying its current bond debt rapidly and therefore has the capacity to structure the bonds sales and debt retirement for this new debt in a manner to keep the property tax rate at or under the current tax rate of $0.69 per $100 of taxable net assessed property value.

5.2. Secondary Property Tax Base and Growth Assumptions

The County's Finance Department annually prepares 5-year property tax base forecasts for County funds. Table 2 shows the forecasted growth in the secondary property tax base for FY2018/19 through FY2022/23. The debt retirement schedule included in this bond implementation plan, uses these forecasted rates of growth through FY2022/23, and then assumes three percent growth in the tax base for the remaining years of repayment.

Table 2
Forecasted Growth in Secondary Property Tax Base

Fiscal Year	% Growth from Prior Year
FY2018/19	3.21
FY2019/20	4.64
FY2020/21	4.68
FY2021/22	4.59
FY2022/23	4.45

5.3. Maximum Repayment Period and Interest Rates for Bonds

The ballot language for Proposition 463 provides that the bonds, if approved, would be sold in one or more series, and repaid within no more than 10 years following the date of sale of each series, and bearing interest at a rate or rates not higher than six percent per year. Pima County includes this language in ballot questions such that the voter authorization is broad enough to cover most future circumstances. However, Pima County intends to issue these bonds with an average payback term of 3.4 years using interest rate assumptions of three percent per year. In the past 10 years of general obligation bond sales, the average interest rate for bonds sold by the County was 2.85 percent per year. The actual interest rate will be established through competitive bond sales.

5.4. Capacity to Deliver Road Repairs

Another factor that will affect the total dollar amount of each bond sale and the number of bond sales, will be how quickly the County, its municipalities and private contractors can deliver the intended road repairs. Initially, it will take time to enter into IGAs and establish the process by which the County and its municipalities will begin bidding the road repair projects to private contractors. Most importantly, private contractors may also need a period of time to ramp up their ability to access the materials and labor to deliver the road repair projects, and larger bid amounts may solicit interest from out-of-town and out-of-state contractors. As a result, the first year bond sale may be smaller than subsequent years. The City of Tucson also is in the process of implementing a $100 million, 5-year, road repair program funded by a temporary sales tax, which may take precedence over implementing the County's road repair bonds within the City during the early years of the bond program.

5.5. Estimated Bond Sales

The debt retirement schedule included in this bond implementation plan assumes eight annual bond sales of $50 million each, and a ninth-year sale of $30 million, for a total of $430 million. This means a maximum of nine years of bond sales. It is the County's intent to issue these bonds more quickly and in larger amounts if the secondary property tax base grows faster than forecasted, interest rates are favorable, and there is the capacity to repair roads more quickly, as discussed in Sections 5.1.-5.4.

5.6. Estimated Debt Retirement Schedule

Table 3 includes projected taxable net assessed value of the secondary property tax base over time, the estimated debt retirement schedule for Pima County's $276 million in outstanding general obligation bonds, the estimated debt retirement schedule for the proposed new bond debt, total debt service, and the projected secondary property tax rate. This information corresponds to the above discussion of factors upon which the County will base decisions on the timing, size and terms of the bond sales, and the County's commitment to not exceed the current the secondary/debt service property tax rate during repayment of the proposed new bond debt.

Table 3
Estimated Debt Retirement Schedule and Estimated Tax Rate
Current and Proposed General Obligation Bonds

		Estimated Debt Retirement Schedule For Current Bonds Outstanding			Estimated Debt Retirement Schedule For the Proposed Bond Authorization				
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
Fiscal Year	Projected Taxable Net Assessed Value[1]	Principal	Interest	Projected Tax Rate per $100 Taxable Net Assessed Value	Principal	Interest	Projected Tax Rate per $100 Taxable Net Assessed Value	Total Debt Service	Projected Tax Rate per $100 Taxable Net Assessed Value
2018-19	8,333,892,906	48,655,000	9,470,672	0.6900				58,125,672	0.6900
2019-20	8,720,207,410	52,425,000	8,092,617	0.6900				60,517,617	0.6900
2020-21	9,128,292,979	40,945,000	6,646,987	0.5214	13,143,000	2,250,000	0.1686	62,984,987	0.6900
2021-22	9,547,162,228	40,350,000	5,173,294	0.4768	17,371,000	2,980,710	0.2132	65,875,004	0.6900
2022-23	9,972,361,171	28,810,000	3,561,282	0.3246	32,478,000	3,959,580	0.3654	68,808,862	0.6900
2023-24	10,271,532,006	20,215,000	2,448,181	0.2206	43,725,000	4,485,240	0.4694	70,873,421	0.6900
2024-25	10,579,677,966	13,630,000	1,692,981	0.1448	53,003,000	4,673,490	0.5452	72,999,471	0.6900
2025-26	10,897,068,305	14,160,000	1,164,282	0.1406	55,282,000	4,583,400	0.5494	75,189,682	0.6900
2026-27	11,223,980,354	9,910,000	609,419	0.0937	62,501,000	4,424,940	0.5963	77,445,359	0.6900
2027-28	11,560,699,765	5,905,000	255,569	0.0533	69,708,000	3,899,910	0.6367	79,768,479	0.6900
2028-29	11,907,520,758	985,000	29,550	0.0085	78,663,000	2,483,670	0.6815	82,161,220	0.6900
2029-30	12,264,746,381				4,126,000	123,780	0.0347	4,249,780	0.0347
2030-31	12,632,688,772								
2031-32	13,011,669,435								
2032-33	13,402,019,518								
2033-34	13,804,080,104								
2034-35	14,218,202,507								
2035-36	14,644,748,582								
2036-37	15,084,091,040								
	Total	275,990,000			430,000,000				

[1] Taxable Net Assessed Value for Fiscal Year 2018-19 is per Pima County Assessor's Office. Projections for future years are detailed in Section 5.2.

PASSED AND ADOPTED by the Board of Supervisors of Pima County, Arizona, on this 4th day of September, 2018.

Chairman, Board of Supervisors

Attest:

Clerk, Board of Supervisors

Reviewed and approved by:

C. Duhlberg

County Administrator

Approved as to Form:

Regina Nassen

Civil Deputy County Attorney

REGINA NASSEN