



MEMORANDUM

Date: January 20, 2012

To: Chairman and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator 

Re: **A Perspective on Pima County's Overlapping Debt 1997 to 2021**

At the November 18, 2011 Bond Advisory Committee meeting Committee member Mr. Gary Davidson requested additional information concerning Pima County debt, specifically a graph showing the overlap of remaining debt and forecasted debt for general obligation bonds, sewer revenue bonds, sewer obligations, highway user revenue bonds, and certificates of participation. A graphic is attached providing this information for the years 1997 through 2021. The data was based on certain assumptions. It is assumed that the remaining general obligation bond indebtedness from previous authorizations will be fully expended in the next four years, assuming a 2012 sale of \$60 million and a 2014 sale of the balance of this voter authorized general obligation debt. It is also assumed there are no additional general obligation authorizations in the near term. It is assumed that the pay down of our debt continues as in the past, and that no additional certificate of participation debt is incurred after the latest issuance for the financial system replacement.

Our debt levels have increased from the 1997 bond election at about \$300 million to a projected high of about \$1.3 billion in years 2013 and 2014. This total debt then declines to about \$550 million by 2021. The green color portion of the debt graphic relates to sewer. Most of this debt is attributed to the sewer obligations that are being issued to meet regulatory mandates to upgrade the quality of our effluent generated from our wastewater plants. This debt is fee supported, not property tax supported and is expected since the largest cost is related to complete replacement of a facility that is sixty years old. When completed these sewer improvements will not require additional capital investment until at least 2030 when most of this debt will be paid off. It should be noted the peak sewer debt occurs at the time of the Arizona Department of Environmental Quality permit compliance deadline.

The blue portion of the graphic relates to general obligation bonds supported by property tax payments. The peak is substantially lower at about \$500 million occurring over years 2010 through 2013, and drops to less than \$120 million in the following nine years or 2021. This debt declines rather rapidly if no new general obligation bonds are authorized. The peak \$500 million in general obligation debt results from implementation of the 1997 - \$257 million and 2004 - \$582 million bond authorizations.

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The red portion of the graph represents Highway User Revenue bond debt (HURF). It will continue to decline over time and the County plans no additional HURF bond authorizations in the future. All future County highway capital improvements will be pay-as-you-go financed.

CHH/dr

Attachments

c: The Honorable Chairman and Members, Pima County Board of Supervisors
Tom Burke, Director, Finance and Risk Management

Pima County Overlapping Debt
1997 to 2021
(In Millions by Fiscal Year)

