



MEMORANDUM

Date: September 7, 2012

To: Chairman and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator

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

Re: **Status Update on Audit of Pima County's General Obligation Bond Programs**

Background

Attached is a summary of events chronicling the State's ongoing audit of Pima County's 1997, 2004 and 2006 general obligation bond programs. This audit resulted from legislation initiated by the Town of Marana and signed into law by the Governor in March 2012. You will **see** from the attachment the wealth of information that has been requested by and provided to the Auditor General's office, along with a summary of numerous meetings that have taken place between County staff and the auditors over the past four months. County staff has been exceptionally responsive to the auditors' requests, both in providing the necessary information in formats requested and in taking the time to meet and respond to questions relating to the information provided.

Schedule

According to the schedule provided by the auditors, the County can expect to receive a draft of the audit report in early November, with the opportunity for the County to comment on and clarify points in the report prior to a final report being sent to the Auditor General's office for review. By the time the draft has been reviewed and the auditors have received our comments in November, the County will have a good idea of the outcome of the audit. The auditors anticipate issuing the final report on February 1, 2013.

Bond Program Audit Committee

As recommended by the Bond Advisory Committee (BAC), the Board of Supervisors created a Bond Program Audit Committee (BPAC) on April 10, 2012. On May 1, 2012, the Board ratified four appointments to the Committee made by the Chair and Vice-Chair of the BAC, including Gary Davidson, Kelly Gottschalk, Dan Sullivan and Carolyn Campbell. Letters were sent to the following five companies and organizations inviting them to appoint a member to the BPAC: Raytheon, Tucson Metropolitan Chamber of Commerce,

Chairman and Members, Pima county Bond Advisory Committee
Re: **Status Update on Audit of Pima County's General Obligation Bond Programs**
September 7, 2012
Page 2

Southern Arizona Leadership Council, Tucson Regional Economic Opportunities, and Tucson Electric Power Company. However, these five appointments were not made. It appears that the BPAC may be unnecessary at this time. A significant part of the BPAC's responsibilities was to ensure the County was being responsive to the auditors' requests for information. According to County Finance Director Tom Burke, the auditors indicated the County has been very responsive. I will be asking the entire BAC to review and provide recommendations on the final report that is issued in February.

Future Bond Election

At the last BAC meeting, the BAC appeared understandably reluctant to continue planning for a future bond election while this audit was underway. A February 1, 2013 audit report issuance date does not make it impossible for the County to hold a bond election in November 2013; but it does constrain the amount of time available for planning and public input. I have asked staff to develop a timeline for the necessary steps that would have to take place between that time period in order to assess the potential for a November 2013 bond election and prepare adequately for an election if the BAC and Board choose to do so. This information, along with an updated assessment of all of the other indicators we regularly review with the BAC concerning the timing of a future bond election, will be provided to the BAC prior to the end of this calendar year.

CHH/dr

Attachment

- c: The Honorable Chairman and Members, Pima County Board of Supervisors
Tom Burke, Director, Finance and Risk Management
Nicole Fyffe, Executive Assistant to the County Administrator
Diana Durazo, Special Staff Assistant to the County Administrator

Office of the Auditor General's 2012 Audit of the Pima County General Obligation Bond Programs
Chronology of Events through September 4, 2012
Prepared by Pima County Finance and Risk Management Department

- March 29, 2012 - House Bill 2408 of the 50th Legislature, Second Regular Session, Chapter 120 was signed by the Governor directing the Office of the Auditor General (OAG) to audit the Pima County 1997, 2004 and 2006 General Obligation Bond Programs.

Within six months after the effective date of this law (August 2, 2012), the Auditor General shall complete a special audit of the 1997, 2004 and 2006 Pima County General Obligation Bond Programs. The audit shall include:

1. A description of the general obligation bond programs including the role of the Pima County bond advisory committee and cities and towns within Pima County in administering the programs.
 2. A comparison of the Pima County general obligation bond programs to general obligation bond programs administered by other counties in this state.
 3. A comparison of the amounts and uses of funds as approved by the voters and the Pima County bond advisory committee to the actual amounts and uses of funds.
 4. A comparison of the timing of projects as approved by the voters to the actual timing of projects.
 5. An analysis of Pima County's explanation included in board of supervisors meeting minutes for each change in amount or use of funds and for each change in project delivery timing, including in each instance whether there is any reason to believe or conclude that Pima County changed the amounts or uses of funds or the timing of projects to reward or to punish an entity, party or official who stood to benefit from or be affected by the project.
 6. A schedule of the dollar amount of bonds issued under the 1997, 2004 and 2006 Pima County General Obligation Bond Programs and a schedule of the geographic location and dollar amount of the projects actually delivered.
 7. For each Pima County General Obligation Bond Program, a determination of the amount of secondary property tax attributable to each city and town and to unincorporated areas of Pima County and the total expenditure of funding in each city and town and in the unincorporated areas of Pima County.
- April 10, 2012 - the Board of Supervisors created a nine member Bond Program Audit Committee with responsibilities to:
 - Be available to assist and support the Auditor General at the beginning and throughout the audit to facilitate and expedite the audit.
 - Review materials Pima County provides to the Auditor General's Office.
 - Review and make recommendations, if necessary, regarding any reports or materials the Auditor General's Office provides to Pima County as part of the audit, including the final report.
 - Review Pima County's Truth in Bond Code, Chapter 3.06 and recommend changes, if necessary.

Chronology of Events of 2012 Audit

- May 1, 2012 - The Board of Supervisors ratified four appointments to the Bond Program Audit Committee made by the Chair and Vice-Chair of the Bond Advisory Committee: Gary Davidson, Kelly Gottschalk, Dan Sullivan, and Carolyn Campbell. The other five appointments have not been made and the Committee has not held a meeting.
- May 14, 2012 - Pima County has meeting with the Auditor General's Office to discuss audit.
- Information requested by and provided to the Auditor General's Office includes:
 - Sample Ballots and publicity pamphlets for each of the elections.
 - Access to all official bond documents for each of the series of bonds issued utilizing 1997, 2004 and 2006 GO Bond Authorization.
 - Access to all Board of Supervisors meeting minutes, all staff reports, Bond Ordinances, and semi-annual reports.
 - Listing of projects requested by other jurisdictions.
 - Index of Resolutions Approved by Other Jurisdictions in Support of Amendments to the 2004 Bond Ordinance Impacting Projects Requested by the Jurisdictions.
 - Copies of resolutions adopted by other jurisdictions relating to GO Bond projects, which were requested by those jurisdictions.
 - Report comparing the original and final cost estimates, project scopes and schedule of completed projects.
 - Documentation supporting the County Administrator's April 10, 2012 memo to the Board regarding the audit.
 - Listing of GO Debt issued by the County, including refunding issues.
 - Debt Service calculations used to establish the annual debt service budget.
 - Listing of GO Bond Projects.
 - Description of the process for adding pro and con arguments in a publicity pamphlet.
 - Maps including the location of completed GO Bond projects.
 - History and status of planning for a future bond election

Scheduled Meetings with the Auditor General:

- May 14, 2012 – Attended by the County Administrator, Nicole Fyffe, Diana Durazo and Michelle Campagne, Deputy Director of the Pima County Finance and Risk Management Department. The auditors stated that the audit would take approximately 6 months.
 - Draft Report expected in early November
 - Final Report to be sent to Phoenix for review in early December
 - Issue Report February 1st with a formal exit conference.
- June 15, 2012 – Attended by Tom Burke, Director of Finance and Risk Management, and Michelle Campagne. The auditors reviewed the list of documentation already provided and requested additional information and maps. Most of the County's documentation has been available on the County's web page throughout the entire time of all three GO bond programs.
- June 20, 2012 – The auditors met with Diana Durazo, Nicole Fyffe, Nanette Slusser, Mary Tyson, Jack Lloyd and Clark Phillips (IT), to view electronic map applications. Input from the meeting was used

Chronology of Events of 2012 Audit

to develop maps that would assist the auditors in reviewing completed GO bond projects, the location of completed bond projects and city/town annexations.

- July 6, 2012 – Tom Burke and Michelle Campagne met with the auditors to review work to date, respond to questions and requests about specific projects or reports for additional information.
- July 12, 2012 – The auditors met with Nicole Fyffe Nicole to review in detail the process from initial concept to having a project included in a recommendation for a bond program.
- July 20, 2012 – Tom Burke met with the auditors and reviewed the County prepared maps showing the physical location of projects and discussed methods of tracking bond project costs to audited financial statements.
- August 10, 2012 – The auditors met with Tom Burke to review the initial draft of the introduction to the audit report, describing the requirements of the statute and describing the process of choosing projects to be included in the program and timing of the issuance of debt.
- August 31, 2012 – Tom Burke and Michelle Campagne met with the auditors to clarify several questions about the physical locations of projects with multiple locations (such as park improvements at multiple parks), and to discuss timing of report. County has provided the Auditor General with all documents requested. Auditors are conducting testing of special reports created for the OAG's use.
- September 4, 2012 – Office of the Auditor General informed Tom Burke that the report will be issued on February 1, 2013 as required by the statute.