

August 20, 2001

**Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58),
the Bond Improvement Plan for the May 20, 1997 Special Election**

Report

In preparation for the May 20, 1997 special bond election, the Board of Supervisors adopted Ordinance No. 1997-25, popularly known as the "Truth in Bonding" ordinance, which created Chapter 3.06 of the Pima County Code. The Board intended, by this ordinance, to make the process of asking for voter approval of bond funding and expending those bond funds as open and accessible as possible. In compliance with this ordinance, the Board of Supervisors adopted Ordinance No. 1997-35 (the Bond Improvement Plan for the May 20, 1997 Special Election), which identified the projects that would be constructed if the bonds were approved.

In the "Truth in Bonding" ordinance, the Board of Supervisors recognized that all complex, long-term capital improvement plans are subject to change. Therefore, the Board created a process for publicly amending bond improvement plan ordinances to implement substantial changes in a plan. On September 22, 1998, the Board approved Ordinance No. 1998-58, which amended the Bond Improvement Plan for the May 20, 1997 special election. This amendment proposes a second round of ordinance amendments to Ordinance No. 1997-35, which are described in the following sections of this transmittal memorandum (see following "Table of Contents" for the organization of this memorandum).

**Transmittal Memorandum
Table of Contents**

1. **Amendments Specific to the 1997 General Obligation Bond Open Space Acquisition Program**
 - A. Ratify bond fund reallocation previously directed by Board action, approve an additional reallocation of bond funds, and amend ordinance to accurately reflect revised open space bond fund authorization.....Page 2 of 11
 - B. Amend the scope of several target areas to authorize acquisitions that were not included in the original version of Ordinance No. 1997-35Page 5 of 11
 - C. Authorize the expenditure of "other funds" not identified in the

BC: John Bernal, Jim Barry, Martha Durkin, Maria of the Clerks office, Garry Duffy, and Tony Davis
See File: BOS: August, Bonds: BOS Memo's, Bonds: General, and Elections
Notes:

original ordinance	Page 5 of 11
D. Amend implementation periods.....	Page 6 of 11
E. Amend guidelines for the open space program	Page 6 of 11
2. <u>Create New Bond Projects to Reflect New Capital Improvement Needs and Opportunities</u>	Page 6 of 11
3. <u>Cover Project Cost Overruns</u>	Page 7 of 11
4. <u>Pygmy-Owl Habitat Considerations</u>.....	Page 8 of 11
5. <u>Changes in Scope of Projects</u>	Page 8 of 11
6. <u>Changes in Allocation of Bond Funds</u>.....	Page 9 of 11
7. <u>Amending Project Implementation Period Schedules</u>.....	Page 9 of 11
8. <u>Clarifying Neighborhood Reinvestment Funding Limitations</u>	Page 9 of 11
9. <u>Clarifying the Intent of Language Regarding Bond Projects in Other Jurisdictions</u>	Page 10 of 11
10. <u>Amend Bond Sales Schedule</u>	Page 10 of 11

BC: John Bernal, Jim Barry, Martha Durkin, Maria of the Clerks office, Garry Duffy, and Tony Davis
 See File: BOS: August, Bonds: BOS Memo's, Bonds: General, and Elections
 Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 3

Attached is a table that details each specific proposed ordinance amendment. Ordinance No. 1998-58 is also attached, as well as the proposed amending ordinance, which is presented in legislative format. In the amending ordinance, language that shows a ~~strikeout (example)~~ would be deleted from the ordinance; language that is bold and underlined (**example**) would be added to the ordinance.

Amendments to Ordinance No. 1997-35 (as amended September 22, 1998 by Ordinance No. 1998-58)

The May 20, 1997 special election ballot contained seven **General Obligation Bond** questions totaling \$256,980,000 and one **Sewer Revenue Bond** question for \$105,000,000. If adopted, Ordinance No. 2001-_____ would effectuate seven categories of amendments to the amended ordinance. In some instances, recommended ordinance amendments codify actions taken by the Board of Supervisors in open session; this report cites the meeting date at which these decisions were made.

1. **Amendments Specific to the 1997 General Obligation Bond Open Space Acquisition Program**
 - A. **Ratify bond fund reallocation previously directed by Board action, approve an additional reallocation of bond funds, and amend ordinance to accurately reflect revised open space bond fund authorization.**

Ordinance No. 1997-35 identified eighteen "target acquisition areas" and allocated \$27.9 million in bond authorization among the eighteen areas. Completed acquisitions have exceeded bond authorizations in four target acquisition areas (see Table 1). In these four target acquisition areas, actual costs have been \$18.5 million against total bond authorizations of \$7.95 million, for a cost exceedance of \$10.5 million.

It should be noted that there have been other completed open space acquisitions in which costs have not exceeded bond authorizations, but these are not reported in this memorandum. Total acquisition costs using 1997 Open Space Bonds have been \$20.4 million.

Table 1

Completed Open Space Acquisitions

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Notes:

The Honorable Pima County Board of Supervisors
**Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond
Improvement Plan for the May 20, 1997 Special Election**

August 20, 2001

Page 4

Actual Costs Versus Bond Ordinance Allocations

<u>Acquisition Area</u>	<u>Bond Authorization</u>	<u>Completed Acquisitions</u>	<u>Difference</u>
SD-1 Tucson Mountain Park General	\$3,000,000	\$ 5,682,301	(\$2,682,301)
SD-3 Tucson Mountain Park Robles	1,750,000	6,251,083	(4,501,083)
^{Pace} SD-08 Canoa Ranch*	2,000,000	4,550,000	(2,550,000)
RW-12 Agua Verde Creek	<u>1,200,000</u>	<u>2,003,178</u>	<u>(803,178)</u>
Total	\$7,950,000	\$18,486,562	(\$10,536,562)

* The total cost of acquiring Canoa Ranch was \$6.6 million, but only \$4.55 million of this amount came from Open Space Bond Funds authorized in Ordinance No. 1997-35: \$2 million from the original allocation to SD-08 and \$2.55 million reallocated as shown in Table 3. Another \$200,000 came from T-23B, Various Trails Acquisitions and \$250,000 from CH-29, Canoa Ranch Building Rehabilitation: both projects are Bond Fund projects, but this expenditure of funds is consistent with their Scopes and therefore does not require reallocation of Bond Funds. The remaining funds come from General Obligation Bond interest, 1986 Floodprone Land Acquisition

Table 2 identifies each of the properties acquired in each of these target acquisition areas, with their actual acquisition costs, and the date of Board action approving the acquisition.

Table 2

**Completed Acquisitions in Four Target Areas
in Which Costs Exceeded Bond Authorization**

<u>Target Area</u>	<u>Parcel</u>	<u>Cost</u>	<u>Date Board Action</u>
SD-01 TMP General	Diocese of Tucson	\$ 636,462	3/17/98
	Saguaro Cliff	\$1,548,244	9/1/98

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Notes:

The Honorable Pima County Board of Supervisors
**Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond
Improvement Plan for the May 20, 1997 Special Election**

August 20, 2001

Page 5

	L and F International	\$2,589,226	5/18/99
	Holsclaw	\$ 159,969	7/13/99
	Los Lomas	\$ 748,400	11/17/98 & 6/1/99
SD-03 TMP Robles Pass	Perper/Rollings	\$5,975,228	1/11/00
	Laika/Lefkovitz	\$ 275,825	6/18/01
SD-08 Canoa Ranch	Canoa Ranch	\$4,550,000	3/13/01 & 4/3/01
RW-12 Agua Verde Creek	Akers	\$1,222,730	8/16/99
	Bradley	\$ 266,036	8/16/99
	Alpher	\$ 514,412	1/11/01

In approving the acquisitions in SD-08 and RW-12, the Board of Supervisors specified how bond authorizations were to be reallocated to cover the cost exceedances occasioned by the acquisitions. In addition to the previously approved Board reallocation, staff recommends reallocation of \$1.8 million of bond fund authorization for SD-02, Tucson Mountain Park Painted Hills to address some of the cost overruns associated with SD-01, Tucson Mountain Park General. This reallocation is summarized in Table 3 below. The reallocation of almost \$5.2 million of bond authorization in Table 3 would cover basically one-half of the overall cost exceedances of \$10.5 million.

Table 3

Bond Authorization Reallocation Already Approved by the Board of Supervisors

<u>Reallocation From</u>	<u>Reallocation To</u>	<u>Amount Reallocated</u>
SD-02 TMP, Painted Hills	SD-01 TMP General	\$1,800,000
SD-09 Mt. Lemmon Hwy Base	SD-08 Canoa Ranch	500,000
SD-11 Tortolita Shooting Range	SD-08 Canoa Ranch	650,000
RW-14 Cienega Creek	SD-08 Canoa Ranch	400,000
RW-16 Sabino Canyon	SD-08 Canoa Ranch	1,000,000
RW-14 Cienega Creek	RW-12 Agua Verde Creek	<u>800,000</u>
Total Reallocated		\$5,150,000

Please note that, in the case of SD-09, Mt. Lemmon Hwy Base, RW-14, Cienega Creek and RW-16, Sabino Creek, other funding of equal amounts will be provided.

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Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 6

To summarize, this amendment would ratify reallocation of Bond Funds previously approved by the Board of Supervisors and approve an additional reallocation of Bond Funds as reported in Table 3 and memorialize the actual costs of completed acquisitions in the four target areas where these costs have exceeded Bond Fund authorizations as reported in Table 1.

- B. Amend the scope of several target areas to authorize acquisitions that were not included in the original version of Ordinance No. 1997-35.

In adopting Ordinance No. 1997-35, the Board of Supervisors acknowledged that the Open Space Program was a plan or guide to implementation, rather than a hard and fast listing of properties and bond authorization. To further refine the Open Space Program, the Board appointed an Open Space Acquisition Review Committee (OSARC). In January 2000, OSARC released a master plan that highlighted specific properties for acquisition in each target acquisition area, many of which were not included in the original version of the Ordinance. Some of these identified properties had already been acquired. Furthermore, the Board of Supervisors has submitted five Arizona Preserve Initiative applications, which the OSARC report also included as priority properties for acquisition.

This ordinance amendment changes the Scopes of target acquisition areas where appropriate to authorize expenditure of Open Space Bond Funds on the properties already acquired, identified by OSARC in their Master Plan, or affected by the County's API applications.

- C. Authorize the expenditure of "Other Funds" not identified in the original ordinance.

When originally adopted, Ordinance No. 1997-35 did not contemplate the expenditure of "Other Funds" to supplement the Open Space Bond Funds. Since that time, however, potential "Other Funds" have been identified and it is recommended that, where appropriate, the Ordinance be amended to authorize expenditure of these funds.

For example, the Environmental Enhancement Fund that will be generated by the Starr Pass development could be available to further the goals of the 1997 Open Space Bond Program. The Starr Pass project is in the final stages of development approval and financing. Funding from Starr Pass should begin to be realized beginning in 2004.

Likewise, the County will apply for Growing Smarter funds to match acquisitions under

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See File: BOS: August, Bonds: BOS Memo's, Bonds: General, and Elections

Notes:

The Honorable Pima County Board of Supervisors
**Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond
Improvement Plan for the May 20, 1997 Special Election**

August 20, 2001

Page 7

the Arizona Preserve Initiative program.

While the Las Cienegas Natural Preserve area enacted by Congress does not currently include the area of FW-14, Cienega Creek, those boundaries might be amended at some time in the future, making federal funding a possibility.

The Board has also made General Fund appropriations to the Open Space program, especially to cover those areas from which bond authorization has been reallocated to cover cost exceedances. My transmittal memorandum to the Board on January 11, 2000 discussing the Perper/Rollings acquisition spoke to the issue of cost exceedances and suggested that General Fund appropriations might be necessary in the future. In the transmittal memorandum on the Fiscal Year 2001/02 budget, I recommended that an Open Space Preservation Fund be established. In adopting the final budget, the Board allocated \$2.25 million for this purpose, as well as increased the Flood Control District levy by 5 cents for floodprone land acquisition (\$1,850,000). Finally, the recommended amendments would replace the reallocated bond authorization with "Other Funds," but without identifying specific sources of funding.

D. Amend implementation periods.

Ordinance No. 1997-35 identifies "Implementation Periods" within which projects are to be completed. This amendment would extend the Implementation Period for five target acquisition areas: SD-04, Los Morteros, SD-05, Tortolita Mountain Park, SD-07, Catalina State Park Expansion, SD-09, Mt. Lemmon Highway Base, and RW-14, Cienega Creek. The Implementation Periods for SD-05 and SD-07 would be extended to provide more time for processing the Arizona Preserve Initiative applications; for SD-04 to provide more time to complete this target acquisition area; and for SD-09 and RW-14 to provide for time to identify potential "Other Funds" to replace the reallocated Bond Funds. Two target areas – SD-03, Tucson Mountain Park-Robles Pass and SD-08, Canoa Ranch – would be categorized as Completed. The Implementation Periods for all of the other target acquisition areas are appropriate.

E. Amend guidelines for the open space program.

Ordinance No. 1997-35 provisions for Open Space were adopted prior to detailed appraisals and planning for the program. The Board made provisions for this further planning with establishment of the Open Space Acquisition Review Committee (OSARC). OSARC submitted a Master Plan and Staff Report in January 2000 and a further set of recommendations in January 2001. This ordinance amendment would

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Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 8

codify Board creation of OSARC.

2. Create New Bond Projects to Reflect New Capital Improvement Needs and Opportunities

Five new bond projects are proposed to be included in Ordinance No. 1997-35. These amendments would codify in the ordinance official actions of the Board of Supervisors taken in open meetings, duly noticed.

Three new bond projects are proposed to fund communications upgrades that were necessary, in part, to ensure Year 2000 compliance. Staff proposes to create a new **S-8, Sheriff's Communications System Upgrade** (Board meeting of October 6, 1998) and **FS-16, PBX Replacement (County Telephone System)**. A third new communications project would be created to secure an easement for a Sheriff's communications tower – **S-9, Sheriff Communications Tower**. These new bond projects would be funded, in part, through reallocation of bond authorizations from existing bond projects and, in part, from "Other Funding" provided by departments that benefit from these improvements.

A fourth new bond project would relocate **P-24, Vail Park Improvements** to the site of the new Vail Unified School District Cienega High School and change the scope to become a joint public community and high school park (Board meeting of March 14, 2000).

A fifth new bond project is **P-38, Northwest Pool/Marana Unified School District** (Board meeting of August 1, 2000) to fund a new public pool facility that would be constructed in cooperation with the Marana Unified School District, with Bond Funding of \$1,300,000. This project has been created as a result of the County adapting to pygmy owl habitat concerns (this is discussed in more detail in Section 4 - Pygmy Owl Habitat Considerations).

On April 21, 1998, the Board of Supervisors voted to split **NR-16, Neighborhood Reinvestment** into two projects, one for neighborhood reinvestment and the second for housing reinvestment, each with \$5,000,000 bond authorizations. Since that vote, however, the County has discovered that stringent limitations on how General Obligation Bonds can be used significantly limit the value of using these bonds to try to foster affordable home ownership. Therefore, staff recommends that, in order to maintain the maximum flexibility in investing these bond funds, no changes be made to Ordinance No. 1997-35 regarding NR-16, Neighborhood Reinvestment.

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See File: BOS: August, Bonds: BOS Memo's, Bonds: General, and Elections

Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 9

3. Cover Project Cost Overruns

Six projects have experienced costs in excess of available bond funding: (a) Bond Projects – P-02, Ajo Pool, P-8, Mehl Foothills Park, and P-47, Tanque Verde Community Center and (b) Non-Bond Projects – Ted Walker District Park, Sopori Pool (Board meeting of February 16, 1999), and Ventana Canyon Trailhead (pursuant to settlement of condemnation action approved by Board on January 6, 1998). These cost overruns have been covered by a number of adjustments, including reallocation of unused “Bond Funding,” and allocation of bond interest or General Fund fund balances.

4. Pygmy-Owl Habitat Considerations

Pygmy-owl habitat considerations led to recommendations for significant changes to three projects. Project P-58, Northwest Community Center/Pool, to be constructed in cooperation with the YMCA of Metropolitan Tucson, was to be constructed at Arthur Pack Park. Because of the known presence of pygmy-owls in the vicinity, this project has been relocated to a County-owned site at Shannon and Magee (Board meeting of October 27, 1998). Further changes in scope and funding of this project are discussed in Section 5 below.

The second project affected by pygmy owl habitat is at the potential site of the Amphitheater Unified School District’s new high school (Shannon and Naranja) -- P-38, Northwest Education Park (Amphitheater), with a bond authorization of \$2,500,000. Because of pygmy-owl concerns, the Board of Supervisors placed this project in an “On-Hold” status in its first ordinance amendments of September 22, 1998. Staff is now recommending two further amendments to this project: (a) change the project from Northwest Education Park (Amphitheater) to P-38, Northwest Pool/Marana Unified School District (see above) with a bond allocation of \$1,300,000 and (b) reallocate the remaining \$1,200,000 in original Bond Funding from P-38 to P-58 (see below) to construct athletic fields as part of the project at the Shannon and Magee site.

The third project affected by pygmy-owl consideration is the Tortolita Shooting Range (SD-11 and P-59). This project is not appropriately sited on the northwest side of the metropolitan area. Funding authorized for SD-11 has been allocated to cover acquisition of SD-08, Canoa Ranch (Board meeting of April 3, 2001). An appropriate site for a regional shooting range is the County’s 3,000 acre Southeast Regional Park. Staff recommends that the Scope for P-22, Southeast Regional Park Improvements, be amended to be design and construction of a

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Notes:

The Honorable Pima County Board of Supervisors
**Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond
Improvement Plan for the May 20, 1997 Special Election**

August 20, 2001

Page 10

regional shooting range.

5. Changes in "Scope" of Projects

In addition to the change in Scope for **P-22, Southeast Regional Park Improvements**, staff recommends the following amendments.

At the request of the Town of Oro Valley, the "Scope" for **FC-8 Town of Oro Valley** would be changed to replace the original four eligible projects with the **Mutterer Wash Bank Stabilization Project**.

The Scope for **P-04, Tucson Mountain Park Renovations** would be amended to authorize the following: (a) construction of a new water well and water storage tanks for the Tucson Mountain Park water system that were made necessary by the total failure of the existing well, to provide water to the Arizona Sonora Desert Museum, Old Tucson, and Gilbert Ray Campgrounds; (b) installation of lighting at the Arizona Sonora Desert Museum parking lot; and (c) roadway improvements, including to Camino de Oeste and the trail head at its end.

At the request of the City of Tucson, the Scope for **P-13, Freedom Park Center Improvements** would be significantly expanded and the City of Tucson will provided \$610,000 in "Other Funding."

In addition to the change of location referenced in Section 3 above, **P-58, Northwest Community Center/Pool** would also be changed by including the new northwest campus of Pima College and construction of athletic fields to be funded by reallocation of \$1.2 million from the former P-38 (see Section 3 above).

6. Changes in Allocation of Bond Funds

The Wastewater project – **SS-9, Roger Road Sewer Rehabilitation**, came in under budget and did not need its full "Bond Funds" authorization. It is recommended that the unused "Bond Funds," \$1,641,599, be reallocated to **SS-1, Ina Road Treatment Plant**, in order to increase the County's opportunity to use the Wastewater Infrastructure Financing Authority (WIFA) loan program, which makes funds available at 75 percent of the market rate for sewer revenue bonds. By doing so, Pima County will reduce its interest payments.

7. Amending Project Implementation Period Schedules

Twenty-five project "Implementation Periods" are changed to show that they are Completed. Several amendments would add one or more implementation periods to original project

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Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 11

schedules. These amendments are based upon more current scheduling information.

8. Clarifying Neighborhood Reinvestment Funding Limitations

Ordinance No. 1997-35 establishes conditions on implementation of the Neighborhood Reinvestment program at pages 108 to 109. Section C(3) Funding Limitations reads "projects within any neighborhood will be limited to a maximum of \$150,000." There is a question whether this provision means (a) a neighborhood may have more than one reinvestment project but each separate project is limited to \$150,000, or (b) a neighborhood may have more than one reinvestment project but the total allocation for all projects is limited to \$150,000. To clarify this provision to reflect what staff believes was the original intent of the Board of Supervisors, staff recommends that Section C(3) be amended to add "unless waived by the Board of Supervisors" to clarify the Board's discretion to award more than \$150,000 to a neighborhood if such is in the best interest of the County and warranted by the circumstances of the grants.

9. Clarifying the Intent of Language Regarding Bond Projects in Other Jurisdictions

Pages 109 and 110 established guidelines that required intergovernmental agreements for implementing bond projects inside other jurisdictions. The proposed amendments to these guidelines would (a) provide the Board with explicit discretion to waive certain conditions and (b) establish that the County will transfer bond funding to other jurisdictions to implement authorized projects only through (1) reimbursement of the jurisdiction for expenditures they have paid or (2) direct payment by Pima County for approved expenditures. This latter requirement is necessary because of the County's responsibilities under federal arbitrage law to strictly account for expenditure of bond funds and interest earnings on bond proceeds.

10. Amend Bond Sales Schedule

Ordinance No. 1997-35 projected seven annual sales of General Obligation Bonds, in amounts from \$30,000,000 to \$51,980,000, and six annual sales of Sewer Revenue Bonds, in amounts ranging from a low of \$2,550,000 in the last sale to a high of \$27,955,000 in the second sale. In June 1998, Pima County sold General Obligation Bonds in the amount of \$35,000,000 and Sewer Revenue Bonds in the amount of \$20,000,000. The original General Obligation Bonds have been expended and a second sale, of \$45,000,000 (plus an additional \$5,000,000 in refinancing of earlier bonds), was held in October 1999 and also has been expended. In August

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Notes:

The Honorable Pima County Board of Supervisors

Amendments to Ordinance No. 1997-35 (as amended by Ordinance No. 1998-58), the Bond Improvement Plan for the May 20, 1997 Special Election

August 20, 2001

Page 12

2000, Pima County held a third sale of General Obligation Bonds, in the amount of \$49,800,000. In October 2000, Pima County finalized a second sale of Sewer Revenue Bonds, through a \$40 million loan from the Wastewater Infrastructure Financing Authority (WIFA). The benefit of WIFA loans is the Authority's ability to finance the loans at less than the prevailing rates for Sewer Revenue Bonds.

Based upon these experiences, staff is recommending that the ordinance be amended to provide for more flexibility in the scheduling of General Obligation and Sewer Revenue Bonds. This ordinance amendment would be accomplished by inserting language that provides more flexibility in scheduling and sizing of bond sales. The substitute language would include a commitment to an annual, end-of-fiscal-year report on bond sales, expenditures and projected future sales. The sale of General Obligation Bonds would still be limited to an amount that can be repaid without raising the secondary property tax rate for debt service above \$1.00 per \$100.00 of assessed valuation; the sale of Sewer Revenue Bonds would continue to be limited to an amount that can be serviced by small increases of 3 to 5 percent in user fees and 10 to 12 percent in connection fees over a five-year period and will include the option of utilizing WIFA loans.

Recommendation

It is recommended that the Board of Supervisors adopt Ordinance No. 2001-amending Ordinance No. 1997-35, Bond Improvement Plan for the May 20, 1997 Special Election (as amended September 22, 1998 by Ordinance No. 1998-58).

Respectfully submitted,

C.H. Huckelberry
County Administrator
CHH/jj (August 14, 2001)

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Notes: