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# MEMORANDUM

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Date: February 8, 2013

To: Chairman and Members  
Pima County Bond Advisory Committee

From: C.H. Huckelberry  
County Administrator 

Re: **State Auditor General Financial Audit of the 1997, 2004 and 2006 General Obligation Bond Authorizations of Pima County**

On Friday, February 1, 2013, State Auditor General Deborah Davenport and her Financial Audit Director and Financial Audit Manager made a public presentation regarding their findings related to the legislatively required audit of the County bond program. This audit, as the Bond Advisory Committee (BAC) knows from receiving a copy of the report, was very favorable to the County and, specifically, to the unique efforts of the BAC in developing and recommending community infrastructure funding priorities for consideration by the Board of Supervisors.

Approximately 10 members of the BAC attended this briefing by the State Auditor General. Ms. Davenport spent approximately one hour explaining the audit findings, all of which are summarized in the audit. Results of this audit establish without question the validity and benefit of the County bond program as administered by the BAC, Board of Supervisors and County staff.

I have summarized the major findings in a memorandum directed to the Board of Supervisors (attached), a copy of which you also previously received. If any BAC member has questions regarding the audit, County staff are available to answer them.

Planning for a future bond authorization for voter consideration can now proceed without any doubt or cloud of uncertainty.

County staff and I would like to thank the State Auditor General and her staff for their time and effort in this audit of our ongoing and active County bond programs.

**Suggested Motion for the February 15, 2013 Bond Advisory Committee Meeting**

The Bond Advisory Committee accepts the audit and findings of the State Auditor General regarding this legislatively-mandated audit of the County's General Obligation bond

**Chairman and Members, Pima County Bond Advisory Committee**  
**Re: State Auditor General Financial Audit of the 1997, 2004 and 2006 General Obligation**  
**Bond Authorizations of Pima County**

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authorizations of 1997, 2004 and 2006 and thanks the State Auditor General for the efforts put forth in completing the audit.

CHH/dph

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



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# MEMORANDUM

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Date: January 29, 2013

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

From: C.H. Huckelberry  
County Administrator

Re: **Arizona Auditor General Audit of Pima County's 1997, 2004 and 2006 General Obligation Bond Programs**

As the Board knows, State legislation was passed last year requiring the Arizona Auditor General to audit the County's 1997, 2004 and 2006 General Obligation bond programs. This legislation was primarily requested by the Town of Marana in retaliation for our ongoing wastewater litigation with the Town. The legislation essentially stalled bond deliberations by the Pima County Bond Advisory Committee (BAC).

We are pleased the Auditor General has finalized the audit of these programs. For ease of reference, I understand the final audit report has been transmitted to the Board of Supervisors and the Bond Advisory Committee.

The audit report is also attached, and we agree with the findings of the audit. The audit is a complete validation of the integrity and importance of the bond program. Clearly, the County manages the bond program as a beneficial capital infrastructure investment program important to all jurisdictions in Pima County.

Among the major audit findings are:

1. Pima County takes a collaborative approach in administering its bond programs, which is unique in all of Arizona.

A. While other jurisdictions in the state typically issue general obligation bonds for specific projects that benefit only their own jurisdictions, Pima County has established a 25-member BAC that includes seven members appointed by other local jurisdictions within Pima County.

B. Projects are prioritized based on public benefit, regardless of jurisdictional boundaries. The BAC then votes on each project, considering both the cost of the project and its public benefit.

The Honorable Chairman and Members, Pima County Board of Supervisors  
Re: **Arizona Auditor General Financial Audit of the 1997, 2004 and 2006 General  
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2. Bond proceeds have been fairly used for authorized purposes.

A. By the end of May 2012, Pima County had completed the vast majority of projects included in the bond programs, issuing \$735 million of the \$893 million authorized by voters.

B. As of May 2012, 93 percent of the 515 completed projects were finished early or on time.

C. Auditors analyzed each change in approved expenditures or in anticipated completion date of projects and found they were approved by the BAC and Board of Supervisors and properly accounted for, without any indication the changes were made to reward or punish any other entities.

3. Bond projects benefited citizens throughout Pima County.

A. Of the 515 projects completed, 178 had a countywide benefit and 337 projects primarily benefited a specific area.

B. In general, projects tended to benefit individual jurisdictions in approximate proportion to the secondary property taxes paid by citizens within those jurisdictions. Auditors determined some differences are to be expected when projects are weighed based on public benefit. The greatest deviation occurred regarding the City of Tucson, which paid 43 percent of the taxes and received 50 percent of the value of the completed projects, and unincorporated Pima County, which paid 43 percent of the taxes and received 36 percent of the value.

The cost of this audit was borne by the State of Arizona. The best investment the State could now make, based on this audit, would be to adopt statewide legislation that requires all political subdivisions of the State when issuing debt, to do so in a manner that parallels the County's successful bond implementation program, which strongly demonstrates transparency and accountability. The County has and continues to implement and manage a regionally beneficial bond program in a fiscally responsible manner and in accordance with the voters' desires and anticipated benefits.

CHH/mjk

Attachment

c: Chair and Members, Pima County Bond Advisory Committee