



BOARD OF SUPERVISORS AGENDA ITEM REPORT

Requested Board Meeting Date: 9/3/2024

**= Mandatory, information must be provided*

Click or tap the boxes to enter text. If not applicable, indicate "N/A".

***Title:**

RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, PROVIDING FOR THE EXECUTION, DELIVERY AND SALE OF (A) SEWER SYSTEM REVENUE OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO PROVIDE UP TO \$54,000,000 TO PURCHASE PROPERTY CONSTITUTING ADDITIONS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE COUNTY, PLUS AN AMOUNT TO FUND A DEBT SERVICE RESERVE ACCOUNT AND PLUS AN AMOUNT TO PAY COSTS OF DELIVERY, AND (B) SEWER SYSTEM REVENUE REFUNDING OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO ACCOMPLISH THE REFINANCING OF OUTSTANDING SEWER REVENUE OBLIGATIONS BEING REFUNDED THEREBY, TO FUND A DEBT SERVICE ACCOUNT AND TO PAY COSTS OF DELIVERY; AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE OBLIGATION INDENTURES IN CONNECTION THEREWITH AND THE EXECUTION AND DELIVERY OF ONE OR MORE PURCHASE AGREEMENTS PROVIDING FOR INSTALLMENT PAYMENTS BY THE COUNTY FOR THE PURCHASE OR REFINANCING OF SAID PROPERTY TO BE MADE FROM REVENUES OF THE SEWER SYSTEM OF THE COUNTY; AND AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY OF ALL NECESSARY OR APPROPRIATE AGREEMENTS OR DOCUMENTS AND THE TAKING OF ALL ACTIONS AND MATTERS IN CONNECTION THEREWITH.

***Introduction/Background:**

Pima County routinely pays for the capital costs of its sewer system by financing them over time. In this way, the costs of the capital assets are better spread throughout the period of time the assets are providing benefits to the system's users. When adopting the fiscal year 2024-25 budget the Board of Supervisors approved the Regional Wastewater Reclamation Department's capital improvement program.

***Discussion:**

The Regional Wastewater Reclamation Department budgeted up to \$55 million in debt proceeds to fund the fiscal year 2024-25 sewer system capital improvement program. By issuing sewer system revenue obligations for fiscal year 2024-25, the cost of capital assets will be better spread over time to the existing and future sewer system users. This resolution will also allow the County to refinance existing debt provided it is financially advantageous and does not extend the final maturity.

***Conclusion:**

Issuing sewer system revenue obligations and refinancing existing debt, when financially advantageous to the County, is an effective way to finance the purchase of sewer system capital assets.

***Recommendation:**

Staff recommends that the Board of Supervisors approve this resolution authorizing the sale of sewer system revenue obligations to finance the Regional Wastewater Reclamation Department's fiscal year 2024-25 capital improvement program.

***Fiscal Impact:**

The funding will be made available for the Regional Wastewater Reclamation Departments capital improvement program. The obligations will be repaid over a maximum period of 10 years spreading the cost of the capital assets to existing and future system users that benefit from the use of the capital assets.

***Board of Supervisor District:**


1 2 3 4 5 All

Department: Finance & Risk Management

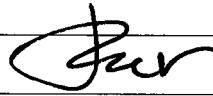
Telephone: 724-3138

Contact: Ellen Moulton

Telephone: 724-3138

Department Director Signature:  Date: 8/16/24

Deputy County Administrator Signature: _____ Date: _____

County Administrator Signature:  Date: 8/16/2024

RESOLUTION NO. 2024- ____

RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, PROVIDING FOR THE EXECUTION, DELIVERY AND SALE OF (A) SEWER SYSTEM REVENUE OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO PROVIDE UP TO \$54,000,000 TO PURCHASE PROPERTY CONSTITUTING ADDITIONS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE COUNTY, PLUS AN AMOUNT TO FUND A DEBT SERVICE RESERVE ACCOUNT AND PLUS AN AMOUNT TO PAY COSTS OF DELIVERY, AND (B) SEWER SYSTEM REVENUE REFUNDING OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT SUFFICIENT TO ACCOMPLISH THE REFINANCING OF OUTSTANDING SEWER REVENUE OBLIGATIONS BEING REFUNDED THEREBY, TO FUND A DEBT SERVICE ACCOUNT AND TO PAY COSTS OF DELIVERY; AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE OBLIGATION INDENTURES IN CONNECTION THEREWITH AND THE EXECUTION AND DELIVERY OF ONE OR MORE PURCHASE AGREEMENTS PROVIDING FOR INSTALLMENT PAYMENTS BY THE COUNTY FOR THE PURCHASE OR REFINANCING OF SAID PROPERTY TO BE MADE FROM REVENUES OF THE SEWER SYSTEM OF THE COUNTY; AND AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY OF ALL NECESSARY OR APPROPRIATE AGREEMENTS OR DOCUMENTS AND THE TAKING OF ALL ACTIONS AND MATTERS IN CONNECTION THEREWITH.

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Recitals, Findings and Conclusions.

(a) Pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended (the "Act"), Pima County, Arizona (the "County"), is authorized to purchase, construct or operate a sewer system (the "System"), including the collection, transportation, pumping, treatment and disposal of sewage and to charge fees therefor.

(b) In order to finance or refinance the purchase, construction and operation, additions and improvements to the System (the "Existing Property"), the County authorized the execution and delivery of the various series of sewer system revenue obligations and sewer system revenue refunding obligations, more fully-described in paragraph (d) below (the "Outstanding Obligations"), pursuant to each series' respective obligation indenture (each, an "Outstanding Obligation Indenture") with a trustee thereunder, which Outstanding Obligations evidence proportionate interests of the holders thereof in installment payments of the purchase price for the applicable Existing Property to be paid by the County pursuant to an applicable purchase agreement (each, an "Outstanding Purchase Agreement"), between the County and the trustee under the related Outstanding Obligation Indenture, in such trustee's separate capacity as seller.

(c) Each Outstanding Purchase Agreement provides that the County may incur obligations ranked on a parity with the payments due thereunder that share pro rata in payments to be made by the County from the Pledged Revenues (as defined in each Outstanding Purchase Agreement) ("Additional Obligations") if certain requirements are met as provided therein.

(d) In order to finance or refinance the purchase, construction and operation of the Existing Property, the County has incurred the following Outstanding Obligations, all of which are titled as Sewer System Revenue Obligations or Sewer System Revenue Refunding Obligations:

<u>Series Designation</u>	<u>Original Aggregate Amount</u>	<u>Dated Date</u>
Series 2014	\$ 48,500,000	February 12, 2014
Series 2016	211,595,000	July 7, 2016
Series 2017	45,000,000	February 9, 2017
Series 2018	38,205,000	April 12, 2018
Series 2019	21,245,000	April 24, 2019
Series 2020A	35,295,000	March 5, 2020
Series 2020B	45,715,000	December 16, 2020
Series 2021	45,000,000	November 4, 2021
Series 2022	68,225,000	November 16, 2022
Series 2023	42,350,000	November 9, 2023

(e) The Board has determined that it is in the best fiscal interest of the County (i) that Additional Obligations should be executed, delivered and sold, and the proceeds thereof be used to purchase, construct and operate other additions and improvements to the System (the “New Money Property” and, collectively with the Existing Property and any property financed with Additional Obligations, the “Property”), such acquisition being financed through the sale, execution and delivery of securities representing proportionate interests (the “New Money Obligations”) in the hereinafter-described applicable Series Purchase Agreement; and (ii) to authorize the refinancing from time to time of some or all of the Outstanding Obligations, the New Money Obligations and any future Additional Obligations (collectively, the “Obligations to be Refunded”) through the sale, execution and delivery of one or more series of Sewer System Revenue Refunding Obligations (the “Refunding Obligations” and, together with the Outstanding Obligations, the New Money Obligations and future Additional Obligations, the “Obligations”), in order to achieve a present value debt service savings net of all costs of issuance of at least 2.0% of the par amount of Obligations to be Refunded thereby (such savings level being the “Savings Threshold”).

(f) In connection with the execution and delivery of the New Money Obligations and Refunding Obligations, the Board intends to execute and deliver one or more Purchase Agreements (each a “Series Purchase Agreement”), by which the County will agree to purchase or refinance the purchase of the applicable Property. Each Series Purchase Agreement shall be in a form that is substantially similar to the Series 2023 Purchase Agreement, dated November 1, 2023, between the County and the seller thereunder.

(g) The acquisition or refinancing of the Property will be financed or refinanced through the sale, execution and delivery of securities representing proportionate interests in the applicable Series Purchase Agreement pursuant to, and secured by, an obligation indenture (each a “Series Obligation Indenture”), by and between the County and a financial institution selected by the Director of Finance and Risk Management of the County (the “Director of Finance”) to serve in its separate capacity as trustee thereunder (including any successor thereto, the

“Series Trustee”), in a form that is substantially similar to the Series 2023 Obligation Indenture, dated November 1, 2023, between the County and trustee thereunder.

(h) Upon execution and delivery of each series of the New Money Obligations or Refunding Obligations, all the conditions for the execution and delivery of Additional Obligations under the Outstanding Purchase Agreements and each Series Purchase Agreement will have been met for such series.

(i) The County will offer and sell each series of New Money Obligations and Refunding Obligations either (i) directly to one or more banks submitting a lending proposal to the County (the “Purchaser”), or (ii) through an underwritten offering, to one or more firms then eligible to serve as underwriter for County obligations or to the winning bidder through a sealed bid offering (the “Underwriter”), in either case as determined by the Director of Finance and Risk Management of the County (the “Director of Finance”), to be the most advantageous to the County.

(j) New Money Obligations and Refunding Obligations of any series sold through an underwritten offering to the Underwriter, will be offered for sale pursuant to a Preliminary Official Statement (each, a “Preliminary Official Statement”), in a form substantially the same as that used in connection with the sale of the Sewer System Revenue Obligations, Series 2023 (the “2023 Obligations”) which, with conforming changes, will become the Official Statement (the “Official Statement”).

(k) In connection with the execution and delivery of Refunding Obligations it may be necessary or advantageous for the County to execute and deliver one or more depository trust or similar agreements (each, a “Depository Trust Agreement”) with a Series Trustee or another financial institution serving as depository trustee thereunder, providing for the payment of Obligations to be Refunded.

(l) New Money Obligations and Refunding Obligations of any series will be sold pursuant to an obligation purchase contract (each, an “Obligation Purchase Contract”) between the County and the Purchaser or the Underwriter, as applicable, which (a) with respect to the sale of a series of New Money Obligations or Refunding Obligations to a bank or banks pursuant to a lending proposal, shall be evidenced by the Purchaser’s certificate and receipt, or (b) with respect to the sale of New Money Obligations or Refunding Obligations to the Underwriter through a negotiated underwritten offering, shall be evidenced by a purchase agreement between the County and the Underwriter in a form substantially the same as that used in connection with the sale of the 2023 Obligations or (c) with respect to the sale of New Money Obligations and Refunding Obligations to the Underwriter through a sealed bid offering, shall be evidenced by a notice of sale disseminated by the County in a form substantially the same as that used in connection with the most recent sealed bid sale of securities by the County, with appropriate changes to reflect the offering of New Money Obligations and Refunding Obligations.

(m) In connection with the sale of New Money Obligations or Refunding Obligations through an underwritten offering, Securities and Exchange Commission Rule 15(c)2-12 may require the County to make certain agreements for the benefit of holders and beneficial owners from time to time of such Obligations, as evidenced in one or more Continuing Disclosure Undertakings from the County (each an “Undertaking”).

(n) The County has the requisite power and authority to execute and deliver each Series Purchase Agreement and to cause the sale, execution and delivery of each series of New Money Obligations and Refunding Obligations. All requirements of the Constitution, the laws of the State of Arizona, and the County that are preconditions to the adoption of this Resolution have been met such that each Series Purchase Agreement will be a valid and binding limited, special obligation of the County.

Section 2. Authorization and Execution and Delivery of Documents and Obligations.

(a) For the purpose of providing funds to finance or refinance the purchase, construction and operation of the Property, to fund a debt service reserve account and to pay the related costs of the sale, execution and delivery of the New Money Obligations or Refunding Obligations, as applicable, such Obligations shall be sold, executed and delivered as one or more series of obligations (determined as provided herein). Each series of New Money Obligations and Refunding Obligations shall be dated the date of their initial delivery and shall (i) be in an aggregate principal amount, (ii) bear interest, (iii) be issued in such form and denominations and with such series designation, (iv) be payable as to interest and principal on such dates, (v) be tax-exempt or taxable, (vi) be executed in such manner and (vi) have such other provisions, including, without limitation, provisions with respect to redemption prior to maturity, as set forth in the Series Obligation Indenture and (A) if sold to the Purchaser, as agreed to with the Purchaser, or (B) if sold to the Underwriter, as set forth in each Obligation Purchase Contract. Each series of New Money Obligation and Refunding Obligations shall include additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Series Trustee, as evidenced by the execution and delivery of series by the Series Trustee.

(b) The Chair, Vice Chair or Acting Chair of the Board, the County Administrator or the Director of Finance (collectively, the "Authorized Officers") are authorized to determine on behalf of the County and then to take any action, make any modification of documents, enter into any agreements, make any elections or certifications and pay any costs necessary to provide for the sale, execution and delivery of each series of New Money Obligations or Refunding Obligations or such portion thereof in such manner, and to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), for such series executed and delivered on a tax-exempt basis, and the terms of such series and any agreement related thereto, including causing such New Money Obligations and Refunding Obligations to be issued in multiple series, to the extent consistent with this Resolution.

(c) The aggregate principal amount of the New Money Obligations shall not exceed the amount sufficient to provide up to \$54,000,000 to purchase the New Money Property, plus an amount to fund a debt service reserve account and plus an amount to pay costs of delivery as provided in the Series Purchase Agreement and the Obligation Purchase Contract, the New Money Obligations shall not mature later than July 1, 2039. Each series of New Money Obligations shall be sold at such prices and shall bear interest at such rates as to result in an effective yield as calculated for federal income tax purposes relative to the issuance of obligations, the interest income on which is excluded from gross income, of not to exceed six percent (6.00%) per annum.

(d) The aggregate principal amount of each series of Refunding Obligations shall not exceed the amount sufficient to accomplish the refinancing of the Obligations to be Refunded and amounts, if any, necessary to fund a debt service reserve account and to pay transaction costs in order to achieve a present value debt service savings net of all costs of issuance of at least the Savings Threshold and each series of Refunding Obligations shall mature over a period of not more than the final maturity of the Obligations to be Refunded. Each series of Refunding Obligations shall be sold at such prices and shall bear interest at such rates as to result in an effective yield as calculated for federal income tax purposes relative to the issuance of obligations, the interest income on which is excluded from gross income, of not to exceed six percent (6.00%) per annum.

(e) The Authorized Officers are authorized to execute each Series Purchase Agreement, each Series Obligation Indenture, each Depository Trust Agreement, each Obligation Purchase Contract and, if sold pursuant to the Obligation Purchase Contract, the Undertaking, which are hereby approved, with such additions, deletions and modifications as shall be approved by the Authorized Officers executing and delivering the same on behalf of the County, the execution and delivery thereof shall be evidence of their approval, and of such additions, deletions and modifications. The Authorized Officers are authorized to approve additions, deletions and modifications to each New Money Obligations or Refunding Obligations, each Series Purchase Agreement and each Series Obligation Indenture to accommodate the sale of the Obligations to the Purchaser instead of the Underwriter, including the form, authorized denominations and method of payment of the Obligations, and to add covenants such as providing certain information as required by the Purchaser.

(f) The Series Trustee is directed to execute and deliver the Obligations, the Series Purchase Agreement and the Series Obligation Indenture to accomplish the purposes of this Resolution.

(g) The Authorized Officers are authorized to:

(i) cause the sale, execution and delivery of each series of New Money Obligations and Refunding Obligations, and are delegated the authority to complete any missing information necessary to consummate the transactions contemplated by each Series Purchase Agreement, each Series Obligation Indenture, each Depository Trust Agreement, each Obligation Purchase Contract and the Undertaking;

(ii) select, and execute and deliver contracts with, appropriate professionals (including outside counsel to the County) to provide professional services with respect to the sale, execution and delivery of each series of New Money Obligations or Refunding Obligations, and to provide for such other matters (including credit enhancement providers) as are necessary to accomplish the purposes of this Resolution; and

(iii) execute and deliver any instruments or documents necessary in connection with the purchase of any credit enhancement, including providing for the repayment of amounts advanced for credit enhancement.

The fees, costs and expenses with respect to the foregoing shall be paid from proceeds of the sale of the Obligations or any other legally available moneys. The Director of Finance is authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Obligations.

Section 3. Acceptance of Proposal. If the terms for a series of New Money Obligations or Refunding Obligations comply with Section 2 hereof, the Authorized Officers are authorized to determine whether to accept the proposal of the Underwriter pursuant to an Obligation Purchase Contract or the proposal of the Purchaser. Each series shall be prepared, executed and delivered following the adoption of this Resolution, and shall be delivered upon payment therefor to either the Underwriter (in accordance with the terms of the Obligation Purchase Contract) or the Purchaser.

Section 4. Authorization of Official Statement. If a series of New Money Obligations or Refunding Obligations are to be sold to the Underwriter, the Authorized Officers are authorized to:

(a) approve the preparation and dissemination by the Underwriter of one or more Preliminary Official Statements relating to the Obligations; and

(b) execute and approve the preparation and delivery to, and use by, the Underwriter of one or more final Official Statements relating to such series, in substantially the form of the Preliminary Official Statement with such additions, deletions and modifications consistent with this Resolution as shall be approved by the Authorized Officers.

For purposes of the Rule, if applicable, the Authorized Officers shall certify or represent that each Preliminary Official Statement, in original or revised form, is a “deemed final” official statement (except for permitted omissions) of the County as of a particular date and that a completed version is a “final” official statement. If necessary, the distribution and use of each Preliminary Official Statement and each Official Statement by the County and the Underwriter are authorized, ratified and approved. If necessary, the Authorized Officers are further authorized (i) to use and distribute, or authorize the use and distribution of, any supplements in connection with the original execution and delivery of any series and (ii) to sign and deliver, on behalf of the County, each Official Statement and such certificates in connection with the accuracy of each Official Statement and any amendment thereto.

Section 5. Appointment of Trustee and Depository Trustee. The financial institution to serve as Series Trustee under each Series Obligation Indenture for a series of New Money Obligations and Refunding Obligations shall be designated by the Director of Finance. The Authorized Officers are authorized to appoint a bank or trust company to serve as depository trustee under each Depository Trust Agreement.

Section 6. Severability. This Resolution confers upon the County all powers set forth in the Act, and if any portion hereof shall be deemed invalid by a court of competent jurisdiction, such judgment shall not affect the remaining provisions hereof. All prior resolutions or parts thereof in conflict with this Resolution are repealed.

Section 7. Ratification of Actions. All actions of the officers, employees and agents of the County that conform to the purposes and intent of this Resolution, whether taken before or after adoption of this Resolution, are ratified and approved. The proper officers and agents of the County are authorized and directed to do all such acts and to execute and deliver all such documents on behalf of the County as may be necessary to carry out the terms and intent of this Resolution.

PASSED, ADOPTED, AND APPROVED by the Board of Supervisors of Pima County, Arizona, on September 3, 2024.

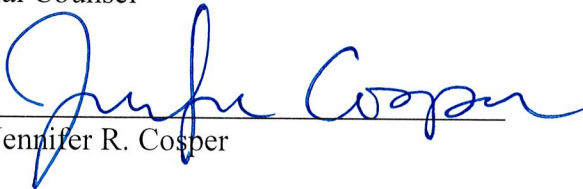
By: _____
Chair, Board of Supervisors

ATTEST:

Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US), LLP
Special Counsel

By: 
Jennifer R. Cosper