



Board of Supervisors Memorandum

April 19, 2016

Refinancing of County Debt

Background

The County's Finance and Risk Management Department continually monitors County debt for opportunities to reduce interest costs through good debt management practices. For the April 19, 2016 Board of Supervisors Meeting, Finance and Risk Management is submitting three resolutions to refund portions of Pima County's existing debt. Current interest rates in the government bond markets are lower than some of the interest rates the County is paying on its older debt. Pima County can replace that existing higher interest rate debt with new lower interest rate debt and save a significant amount of interest cost.

When replacing higher interest rate debt with lower interest rate debt, the County requires that the principal amount of the new debt is repaid over the same period as the principal amount of the existing debt. That is, in this refinancing, as with all of Pima County's debt refinancing, none of the principal payments are extended further into the future than their original repayment dates.

There will be three resolutions for the Board's consideration, one for each type of County debt being refinanced, and these are described below.


1. General Obligation Bonds. Based on current interest rates, Finance and Risk Management estimates the County can refinance \$89,895,000 of its existing General Obligation bonds, resulting in an expected savings of approximately \$4.4 million over the next 10 years.
2. Street and Highway Revenue Bonds. Based on current interest rates, Finance and Risk Management estimates the County can refinance \$25,470,000 of its existing Street and Highway bonds, resulting in an expected savings of approximately \$1.2 million over the next eight years.
3. Sewer Revenue Obligations. Based on current interest rates, Finance and Risk Management estimates the County can refinance \$145,210,000 of its existing Sewer Revenue bonds and obligations, resulting in an expected savings of approximately \$8.7 million over the next 10 years.

The Honorable Chair and Members, Pima County Board of Supervisors
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Recommendation

I recommend the Board of Supervisors approve each of the three resolutions to refinance County debt to realize an expected savings of \$14.3 million in interest costs over the next 10 years.

Respectfully submitted,


C.H. Huckelberry
County Administrator

CHH/mjk – April 13, 2016

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management