



Board of Supervisors Memorandum

December 16, 2014

Resolutions Relating to Debt Issues

Introduction

There are three Resolutions on the December 16, 2014 Board of Supervisors Addendum related to two new debt issues and to one refunding of existing debt. Each of the new debt issues are included in the Adopted Budget for Fiscal Year 2013/14 as funding sources for the County's capital projects program. The three Resolutions relate to the following debt issues:

1. Resolution for \$15,000,000 of General Obligation Bonds
2. Resolution for \$60,000,000 of Certificates of Participation to be used for sewer projects
3. Resolution for refunding Street and Highways (Highway User Revenue Fund; HURF) Revenue Bonds

General Obligation Bonds

This Resolution would authorize staff to issue additional General Obligation bonds in an amount not to exceed \$15,000,000. The proceeds would be used to pay costs associated with capital improvement projects, as anticipated in the Adopted Budget, including \$4.7 million for various park improvements and \$2 million for the design of the Pima Animal Care Center improvements.

Certificates of Participation

This Resolution would authorize staff to issue Certificates of Participation (COPs) debt in an amount not to exceed \$60,000,000 in order to fund wastewater projects included in the Adopted Budget. The proceeds will be used to fund the more than 50 ongoing capital projects for the Regional Wastewater Reclamation Department, including rehabilitation projects for the South Rillito West Central Interceptor, the North Rillito Interceptor, and numerous smaller rehabilitation projects. As with all COPs, the County provides collateral by means of selling or leasing a County building. In this case, the existing sale/leaseback of the Public Works Building and related parking garage, the Legal Service Building and the Adult Detention Center will be amended to include this debt. The County will use funds from the Regional Wastewater Reclamation Enterprise Fund to pay the annual lease payments. The COPs will be repaid over a six-year term with lease payments equal to the debt service on the COPs. After repayment of the debt, the collateral is returned to the County.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Resolutions Relating to Debt Issues**
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Street and Highways (HURF) Revenue Bonds Refunding

This Resolution would authorize staff to issue refunding bonds to replace existing bonds if the refunding will result in no less than a 2.5 percent present value debt service savings. This Resolution does not increase the amount of outstanding debt; it replaces the existing debt with new bonds having lower interest rates. That is, the County will not extend the amount or the time for the repayment of any of the existing HURF debt. The sole purpose of the refunding is to reduce the overall interest cost of the existing debt. When the County refunds debt, it does not extend the term of the debt. The principal is repaid on the same schedule but at lower interest rates. The exact amount of debt refunded will be determined by the interest rates in the market at the time of sale.

Recommendation

I recommend the Board of Supervisors approve the attached three Resolutions authorizing the issuance of new General Obligation debt, new Certificates of Participation debt, and the refunding of existing Street and Highway (Highway User Revenue Fund; HURF) debt.

Respectfully submitted,



Thomas E. Burke, Director
Finance and Risk Management
for C.H. Huckelberry, County Administrator

CHH/TEB/mjk – December 11, 2014

Attachments

c: Tom Burke, Director, Finance and Risk Management

RESOLUTION NO. 2014-__

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA AUTHORIZING THE LEASE AND LEASE-PURCHASE BACK OF CERTAIN REAL PROPERTY, INCLUDING BUILDINGS AND STRUCTURES, IN ORDER TO FINANCE CAPITAL PROJECTS FOR THE COUNTY; AUTHORIZING THE EXECUTION AND DELIVERY OF AMENDMENTS AND SUPPLEMENTS TO A LEASE-PURCHASE AGREEMENT AND A TRUST AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION TO PROVIDE THE NECESSARY FINANCING THEREFOR; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

WHEREAS, Pima County, Arizona (the "County"), as lessee, previously entered into a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Original Lease-Purchase Agreement"), which was amended by a First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009, by a Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010, by a Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 and by a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (collectively, and as further amended by the Lease Amendments hereinafter described, the "Lease-Purchase Agreement") with U.S. Bank National Association, as trustee under the below-described Trust Agreement (the "Trustee"), as lessor (in such capacity, the "Lessor"), pursuant to which the Lessor leases to the County, as lessee, certain leased property (the "Leased Property") as described therein; and

WHEREAS, the Trustee and the County have previously entered into a Trust Agreement, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented by a First Supplement to Trust Agreement, dated as of June 1, 2009, by a Second Supplement to Trust Agreement, dated as of February 1, 2010, by a Third Supplement to Trust Agreement, dated as of May 1, 2013 and by a Fourth Supplement to Trust Agreement, dated as of January 1, 2014 (collectively, and as further supplemented by the Trust Supplements hereinafter described, the "Trust Agreement"), pursuant to which the Trustee executed and delivered \$50,000,000 principal amount of Certificates of Participation, Series 2008 (the "2008 Certificates"), \$34,400,000 principal amount of Certificates of Participation, Series 2009 (the "2009 Certificates"), \$20,000,000 principal amount of Certificates of Participation, Series 2010 (the "2010 Certificates"), \$80,175,000 principal amount of Certificates of Participation, Series 2013A (the "2013A Certificates"), \$12,705,000 principal amount of Refunding Certificates of Participation, Series 2013B (the "2013B Certificates") and \$52,160,000 principal amount of Certificates of Participation, Series 2014 (the "2014 Certificates"), for the purpose of financing and refinancing the costs of certain capital projects of the County and amending and restructuring the County's lease payments (the "Lease Payments") under the Original Lease-Purchase Agreement; and

WHEREAS, there are no 2008 Certificates or 2009 Certificates currently outstanding and there are currently outstanding only 2010 Certificates, 2013A Certificates, 2013B Certificates and 2014 Certificates; and

WHEREAS, the Trust Agreement permits, under certain conditions, the execution and delivery of "Additional Certificates," on a parity with the "Certificates" then outstanding under the Trust Agreement and permits the further supplementation and amendment of the Trust Agreement and the Lease-Purchase Agreement to facilitate such an execution and delivery of such Additional Certificates; and

WHEREAS, the County has determined that it will be advantageous to cause the execution and delivery of Additional Certificates, in an aggregate principal amount not exceeding \$60,000,000, plus any amount necessary to pay the costs associated with the execution and delivery of such Additional Certificates, in one or more series, under the Trust Agreement, for any or all of the following purposes: (a) financing the costs of additional capital projects for the County, and (b) paying the costs associated with the execution and delivery of such Additional Certificates, and to restructure the Lease Payments under the Lease-Purchase Agreement; and

WHEREAS, in connection with the execution and delivery of the Certificates, it will be necessary to enter into a supplemental or restated Trust Agreement or amendments or supplements thereto, between the County and the Trustee (collectively, "Trust Supplements") and a supplemental or restated Lease-Purchase Agreement or amendments or supplements thereto, between the County and the Trustee, as lessor (collectively, "Lease Amendments"); and

WHEREAS, upon execution and delivery of each series of Certificates, all the conditions for the execution and delivery of Additional Certificates under the Trust Agreement will have been met for such series; and

WHEREAS, the Certificates of each series will be offered for sale pursuant to a Preliminary Official Statement (the "Preliminary Official Statement"), which, with conforming changes, will become the Official Statement (the "Official Statement") and sold pursuant to one or more Certificate Purchase Agreements (collectively, the "Purchase Agreement") between the County and RBC Capital Markets, LLC, the purchaser of such series of the Certificates (the "Original Purchaser"); and

WHEREAS, in connection with the execution and delivery of the Certificates, 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 the Certificates, as evidenced in one or more Continuing Disclosure Undertakings from the County (the "Continuing Disclosure Undertaking"); and

WHEREAS, the County has the power and authority to enter into and deliver the Lease Amendments, the Trust Supplements, the Purchase Agreement, the Continuing Disclosure Undertaking and such additional agreements (collectively, the "County Documents") or amendments thereto and has determined that it is advantageous and in

the public interest to approve the execution, sale and delivery of the Certificates in order to secure the financial advantages for the County;

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

Section 1. The execution and delivery of Certificates in one or more series under the Trust Agreement, for any or all of the following purposes, is hereby approved: (a) financing the costs of additional capital projects of the County, and (b) funding any amount required for paying costs associated with the execution and delivery of such Certificates and to restructure Lease Payments under the Lease-Purchase Agreement.

Section 2. The Chair, Vice Chair or Acting Chair of this Board, the County Administrator of the County or the Director of Finance of the County (each an "Authorized Officer") are each hereby authorized, empowered and directed, with the approval of counsel to the County, in the name and on behalf of the County, to execute or attest, as required, and deliver the County Documents, in such forms as shall be reviewed by counsel to the County and approved by the Authorized Officer executing the same.

Section 3. From and after the execution and delivery of the County Documents in definitive form by the County and the other parties thereto, as required, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such agreements, documents, instruments and certificates as may be necessary to carry out and comply with the provisions thereof, including but not limited to the execution of tax compliance certificates or any other such document necessary in relation to the tax-exempt status of any series of Certificates intended by the County to be executed and delivered bearing tax-exempt interest or otherwise required by the related Purchase Agreement.

Section 4. The execution, sale and delivery of Certificates, which in the aggregate will not exceed the principal amount of \$60,000,000, plus any amount approved by an Authorized Officer as being necessary to pay the costs associated with the execution and delivery of such Additional Certificates, bearing interest at the rate or rates per annum not to exceed a yield of 6.00% per annum computed in accordance with Section 148 of the Internal Revenue Code of 1986 as amended, and having the other terms and conditions to be provided in the related Purchase Agreement and the Trust Supplement (as executed and delivered) and consistent with this Resolution, are in all respects approved. Each series of Certificates shall be sold and awarded to the Original Purchaser at a price of not less than 98% of par (excluding any original issue discount). Each series of Certificates shall mature over a period ending not later than December 1, 2029, may be subject to mandatory or optional redemption prior to maturity, and shall have such other terms, all as provided in the related Trust Supplement and Purchase Agreement (as executed and delivered).

Section 5. The distribution of the Preliminary Official Statement by the Original Purchaser with respect to each series of Certificates is hereby ratified and approved in the form approved by an Authorized Officer and an Official Statement for

such series is hereby authorized and approved, in substantially the form of the related Preliminary Official Statement, with such changes or revisions as may be approved by the Authorized Officer executing the same. Any Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the County, to execute and deliver the same to the Original Purchaser, and to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with Securities and Exchange Commission Rule 15(c)2-12.

Section 6. If the Director of Finance of the County or his designee determines that the purchase of an insurance policy securing payment of any series of Certificates would be advantageous to the County, any officer, agent or employee of the County is hereby authorized to negotiate with and secure, with proceeds of such series of Certificates or otherwise, such an insurance policy from one or more institutions the claims-paying ability of which are then assigned a rating of "Aa3/AA-" or better by a nationally recognized credit rating agency at the time of issuance of the insurance policy. Each Authorized Officer is hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy.

Section 7. The Authorized Officers, and the designees of any of them, are each hereby designated and appointed as the Lessee Representative, as defined in the Lease-Purchase Agreement, and each of them is authorized to execute in the name of and on behalf of the County any closing documents, certificates, or other instruments or documents necessary or appropriate in connection with the transactions described in or contemplated by the related Official Statement, Purchase Agreement, Lease-Purchase Agreement or Trust Agreement or amendments or supplements thereto and to do all acts and things as may be necessary or desirable to carry out the terms and intent of this Resolution and of any of the documents referred to herein.

Section 8. The proceeds received by the Trustee from the sale of each series of Certificates shall immediately be applied as provided in the related Trust Supplement. Pending disbursement of any such proceeds received by the County and held by the County Treasurer, the County Treasurer is directed to invest the amounts so received and held in the State Treasurer's Local Government Investment Pool (LGIP); provided, however, that the Director of Finance of the County may at any time provide other written investment instructions to the County Treasurer and the County Treasurer, to the extent that such investments are lawful, is authorized and directed to invest monies as set forth in the instructions. The County Administrator or the Director of Finance of the County are hereby authorized to transfer monies from the Transportation Fund, the Regional Wastewater Reclamation Enterprise Fund, the Capital Projects Fund or any other funds, as appropriate, and in the amounts proportional to the use of the Certificate proceeds for transportation projects, wastewater projects, capital projects, or other projects, facilities or equipment, needed to make lease payments under the Lease Agreement to pay principal and interest with respect to the Certificates as such amounts become due.

Section 9. All actions of the officers, agents and employees of the County which are in conformity with the purposes and intent of the foregoing resolutions be, and the same are hereby, in all respects, authorized, approved, ratified and confirmed.

[Remainder of page intentionally left blank.]

PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County, Arizona, on December 16, 2014.

PIMA COUNTY, ARIZONA

By: _____
Chair, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

Approved as to Form:
SQUIRE PATTON BOGGS (US) LLP,
Special Counsel

By: 
Timothy E. Pickrell