



## **BOARD OF SUPERVISORS AGENDA ITEM REPORT**

**Requested Board Meeting Date:** March 20, 2018

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RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA AUTHORIZING THE PREPAYMENT OR REDEMPTION OF CERTAIN OUTSTANDING SEWER REVENUE BONDS AND OBLIGATIONS WITH COUNTY FUNDS; AUTHORIZING THE APPOINTMENT OF  
**Title:** DEPOSITORY TRUSTEES AND THE EXECUTION OF DEPOSITORY TRUST AGREEMENTS AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS IN CONNECTION WITH THE PREPAYMENT OR REDEMPTION OF SUCH BONDS OR OBLIGATIONS; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

### **Introduction/Background:**

Pima County pledges sewer system revenues to finance the purchase and care of sewer system capital assets. For favorable financing terms, investors expect the County to set sewer rates so that sewer system operating revenues exceed 125% of the system's operating and debt service costs. This 125% revenue expectation generates sufficient cash so that investors have comfort that the debt will be repaid as scheduled. From time to time, this expectation may also generate additional cash that can be used to prepay debt ahead of schedule. Terms and conditions do not always allow debt to be prepaid ahead of schedule; however, cash can be set aside to repay debt at a future date when the terms allow repayment. When cash is set aside in specific trust or escrow accounts, the County can consider the debt repaid as soon as the cash is placed into the trust or escrow account. The County then does not have to consider this debt nor its debt service costs when setting sewer system rates.

### **Discussion:**

At June 30, 2017, the County's Regional Wastewater Reclamation Enterprise Fund had cash balances totaling \$171 million which included \$89 million in unrestricted and undesignated operating cash. The Fund currently has a similar amount of unrestricted and undesignated operating cash. By placing an average of \$22 million per year into a trust or escrow account to prepay sewer system revenue debt, the County's current sewer rates should be sufficient to generate system operating revenues at the expected 125% of the system's operating and debt service costs. By carefully using the Fund's cash balances to prepay debt in this manner, the County's five year sewer system projections do not indicate the need for a sewer rate increase. Additionally, prepaying debt in this manner may save the County more than \$5 million in debt service costs.

### **Conclusion:**

To help eliminate the need for future sewer rate increases and to potentially save more than \$5 million in debt service costs, the County should use a portion of the Funds undesignated and unrestricted cash balances to prepay portions of the County's sewer system revenue debt.

### **Recommendation:**

Staff recommends that the Board approve this resolution authorizing the County Administrator to prepay Sewer System Revenue Bond and Obligations when advantageous to the County and execute related trust and escrow documents.

**Fiscal Impact:**

When repaying debt in this manner, the County's five year sewer system projections do not indicate the need for a sewer rate increase. Additionally, the County may save more than \$5 million in debt service costs.

**Board of Supervisor District:**

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Department: FINANCE AND RISK MANAGEMENT                      Telephone: 724-8496

Contact: KEITH DOMMER                      Telephone: 724-8496

Department Director Signature/Date:  3/7/18

Deputy County Administrator Signature/Date:  3-7-18

County Administrator Signature/Date:  3/7/18

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RESOLUTION NO. 2018-\_\_\_

**RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA AUTHORIZING THE PREPAYMENT OR REDEMPTION OF CERTAIN OUTSTANDING SEWER REVENUE BONDS AND OBLIGATIONS WITH COUNTY FUNDS; AUTHORIZING THE APPOINTMENT OF DEPOSITORY TRUSTEES AND THE EXECUTION OF DEPOSITORY TRUST AGREEMENTS AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS IN CONNECTION WITH THE PREPAYMENT OR REDEMPTION OF SUCH BONDS OR OBLIGATIONS; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.**

WHEREAS, pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, and Resolution No. 1991-138 passed and adopted by the Board of Supervisors (the "Board") of Pima County, Arizona (the "County") on June 18, 1991 as amended by Resolution No. 1991-182 adopted August 6, 1991, the County currently has outstanding its Sewer Revenue Bonds, Series 2008, Sewer Revenue Bonds, Series 2009, and a Loan Agreement with the Water Infrastructure Authority of Arizona (collectively, the "Prior Obligations"), all of which were issued or executed and delivered to finance or refinance improvements to the sewer system of the County (the "System") and are payable from net revenues derived from operation of the System; and

WHEREAS, the Board has also authorized the execution and delivery of, and currently has outstanding, its Sewer System Revenue Obligations, Series 2010, Sewer System Revenue Obligations, Series 2011B, Sewer System Revenue Obligations, Series 2012A, Sewer System Revenue Obligations, Series 2014, Sewer System Revenue Refunding Obligations, Series 2016, and Sewer System Revenue Obligations, Series 2017, all of which were executed and delivered to finance or refinance improvements to the System and are payable from net revenues derived from operation of the System (collectively, the "Outstanding Parity Obligations"); and

WHEREAS, the Board may in the future authorize the execution and delivery of additional obligations to finance or refinance improvements to the System which will be payable from net revenues derived from operation of the System on a parity with the Outstanding Parity Obligations (the "Additional Parity Obligations" and, together with the Outstanding Parity Obligations, the "Parity Obligations"), under the conditions permitted in the documents authorizing the execution and delivery of the then-Outstanding Parity Obligations; and

WHEREAS, if the County Administrator of the County deems it prudent and advantageous to prepay or redeem any Prior Obligations or Parity Obligations from time to time prior to the maturity or payment dates thereof, it may be necessary for the County to execute and deliver one or more depository trust agreements or escrow agreements (each a "Depository Trust Agreement") with a depository trustee or escrow agent named therein (each a "Depository Trustee"); and

WHEREAS, the County has determined that it is advantageous and in the public interest to provide for and approve such prepayment or redemption of any outstanding Prior Obligations or Parity Obligations from time to time prior to the payment dates thereof 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:

1. The Chairman, Vice Chairman or Acting Chairman of this Board or the County Administrator 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 Depository Trust Agreements and any related agreements or documents (collectively, the "County Documents") related to the prepayment or redemption of Prior Obligations or Parity Obligations, in such forms as shall be reviewed by counsel to the County and approved by the Authorized Officer executing the same.

2. 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 or desirable in connection with the execution and delivery of the County Documents or the prepayment or redemption of Prior Obligations or Parity Obligations, including, without limitation, calling for redemption such Prior Obligations or Parity Obligations for which payments are being provided and directing the transfer of County funds to the Depository Trustee for the purpose of such prepayment or redemption.

3. 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.

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PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County, Arizona, on March 20, 2018.


By: \_\_\_\_\_  
Chairman, Board of Supervisors

ATTEST:

By: \_\_\_\_\_  
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,  
Bond Counsel

By:   
Timothy E. Pickrell